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Japan

Government Firms Up Policy on Islands Visits

OW3105134091 Tokyo YOMIURI SHIMBUN in Japanese 30 May 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] On 29 May the government firmed up its policy on implementing a plan for travel by Japanese citizens to the Northern Territories without visas, as proposed by President Gorbachev at the recent Japan-USSR summit. According to the policy, visa-free visits to the territories for business purposes will not be authorized, and people allowed to visit will be limited to former island residents, members of the media, and those connected to organizations campaigning for the return of the Northern Territories. The visits will also be made as part of a "mutual traffic" program so that Soviet people in the four northern islands may be allowed to visit Japan in return.

This is designed to promote mutual exchanges without damaging Japan's sovereignty over the four northern islands and thus at contributing to solving the issue of territories and to concluding a peace treaty. The government wants working-level government negotiations with the Soviet Union to begin before the end of this month and wants a basic agreement by August.

Regarding President Gorbachev's proposal to "establish a visa- free arrangement" (in the Japan-Soviet joint statement) for visits to the Northern Territories, the government takes note of the fact that this was proposed after the four northern islands were recognized as part of the territories issues in the statement. The government thus regards "a legal status different from that of the Soviet Union proper" as having been obtained for these islands, (according to a senior Foreign Ministry official).

On the other hand, however, the government has also been careful in this matter from the standpoint that the proposal could be "trying to draw Japan into joint development projects while keeping Soviet sovereignty intact" (to quote a source familiar with Japanese-Soviet affairs), since the proposal was for "one-way traffic"—that is, for only Japanese to make the visits.

Space Commission To Increase USSR Ties

OW0106114291 Tokyo THE DAILY YOMIURI in English 1 Jun 91 p 2—FOR OFFICIAL USE ONLY

[Text] In a reserve of Japan's policy on space development, the Space Activities Commission has decided to increase ties with the Soviet Union to promote Japanese-manned space flights, commission sources said Thursday.

The shift from depending solely on the United States in promoting manned space flights will be approved in a sub-committee meeting Friday and will be made official in the commission's meeting in June, the source said. Headed by Science and Technology Agency Director General Akiko Santo, the commission, formed by space experts, advises the prime minister on Japan's space policy.

In recent years the Soviet Union has made numerous offers to Japan about cooperating in space activities, and offered to sign a space development agreement.

The commission concluded such cooperation would pose no problem after seeing two Western countries—Britain and France—successfully place astronauts on Soviet space flights. It was further assured because the United States has agreed to cooperate with the Soviet Union in space activities, according to officials.

Last December a journalist of Tokyo Broadcasting System, Toyohiro Akiyama, became the first Japanese in space, aboard a Soviet rocket. That encouraged the government to increase ties with the Soviet Union, perhaps the most experienced country in the field of manned space flights, according to the sources.

Cooperation with the Soviet Union probably will start by exchanging data on space medicine. Eventually activities such as sending Japanese astronauts on Soviet rockets or joint experiment projects in space are envisioned.

Japan in July will start recruiting astronauts to participate in the International Space Station Program, a U.S.-led project to build a 250-ton space station in the late 1990s. But Japan lags far behind in collecting data on astronauts' health care.

'Concern Grows' Over USSR Financial Aid

OW0206033391 Tokyo THE JAPAN TIMES in English 1 Jun 91 pp 1, 12—FOR OFFICIAL USE ONLY

[Text] Concern is growing that the country's policy of withholding financial aid to Moscow may be compromised now that four of the seven major industrialized nations have expressed willingness to invite Soviet President Mikhail Gorbachev to the London summit meeting in July, Foreign Ministry officials said Friday.

They are worried that if consensus is reached among summit nations on providing aid to facilitate Gorbachev's economic reforms, Japan despite its unresolved territorial dispute with the Soviet Union, will be urged to play a key role as a major financial power.

In a joint press conference with Canadian Prime Minister Brian Mulroney earlier in the week, Prime Minister Toshiki Kaifu said Tokyo would not object if the summit nations agree to listen to the Kremlin leader as a guest after the business of the meeting is over.

Ministry officials, however, were quick to deny Kaifu made such a commitment during his talks with Mulroney.

Behind the mixed signals is Japan's long-standing policy of linking full-scale economic aid to resolution of the territorial dispute with Moscow over four Soviet-held islands off Hokkaido.

This has become something of a problem for Tokyo because the West now sees the Soviet Union as less of a threat.

At the Houston summit meeting last summer, the government had to resist calls from European nations, particularly Germany, for industrialized nations to extend financial help to the ailing Soviet economy.

Gorbachev's April visit to Japan yielded no substantial progress on the question of the disputed islands' sovereignty.

As the idea of inviting Gorbachev to the July summit emerged, ministry officials took a cautious stance, saying the position of China as another major nonmember nation will have be taken into account.

They also pointed out that a report on the Soviet economy compiled last December by international organizations concluded that large-scale financial aid would not be effective unless a workable economic reform program is implemented.

Apparently more important is concern that the territorial dispute might be eclipsed by renewed Western awareness of the need to support Gorbachev.

It is widely expected that Gorbachev, if invited to the summit, will ask for massive economic help to support his perestroyka reforms.

A senior official in charge of Soviet affairs made no attempt to conceal his displeasure over moves by Germany and France to invite Gorbachev to the summit as a guest.

"What did we spend the toilsome 10 hours of top-level talks with Gorbachev for?" the official asked.

At the same time, officials are aware that Japan will find it difficult to resist if all other summit nations should agree to invite the Kremlin leader.

Foreign Minister Taro Nakayama maintained a cautious stance in recent meetings with his German and Italian counterparts, who urged Japan to become more flexible on economic help to Moscow.

Kaifu's remarks at the joint press conference with Mulroney, however, indicate that the prime minister believes Tokyo may have to keep step with other nations on the issue, officials explained.

Moreover, the senior official noted, Japan will no doubt be obliged to play a leading role if the summit nations reach a consensus on providing financial help to Moscow, since Germany is largely sidelined by its need to channel funds to the eastern part of the nation.

"European nations have their own national interests in supporting Gorbachev and it seems as if they are trying to use Japan's money in pursuing their interests," he said.

With only the U.S., Britain and Japan remaining noncommittal on the issue, officials believe the key to the question of Gorbachev's attendance at the summit lies in Washington's attitude and the future of a postponed superpower summit, as well as pending arms control negotiations.

Even if Japan eventually agrees to invite Gorbachev, the government will have to resist until the last minute to clearly demonstrate the negative stance toward extending financial aid to Moscow, the official noted.

Editorial Examines SII Follow-Up Meeting

OW3105132391 Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 May 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Editorial: "Structural Impediments Initiative Follow-Up Meeting Neglects Consumer Viewpoint"]

[Text] At the follow-up meeting to the Structural Impediments Initiative (SII), representatives of both governments have been battling over the strengthening of Japan's Antimonopoly Act and the "keiretsu" issue. Japanese economic structure, which tends to be regarded as internally symbiotic, is once again being questioned. But what is worrisome is that the strong regard for consumer interests, the starting point of SII, is being neglected.

There is discord in the post-Gulf war U.S.-Japanese relationship. It has become very important to implement the final report of the SII, which was compiled last June, and to carry out mutual examinations. Although the U.S. trade deficit has declined, the deficit with Japan has scarcely been reduced. Suspicion of the Japanese economic structure has not disappeared from the U.S. perception of Japan. In order for the U.S.-Japanese relationship to mature, we must further advance economic structural adjustment. This should also be in the interest of Japanese consumers.

What is at issue is whether this follow-up meeting takes consumers into consideration. On one of the focal points, the strengthening of the Antimonopoly Act, Japan wanted to increase the fine on the cartels to 6 percent of the sales involved in the violation, while the United States demanded it be raised to 10 percent. On the "keiretsu" issue, in order to strengthen stockholder rights, the United States sought a revival of proxy voting system through revision of the commercial code, appointment of executives from outside the company, and strengthening of the standard for floating stocks listed on the Tokyo Stock Exchange. Japan, however, rejected all of these proposals.

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The gap between the United States and Japan does not seem to be easily closed. A solution based on reality is needed to improve the structure. The following point, however, is quite clear. The "keiretsu" structure may be effective in certain ways for the Japanese business world, but if it is a system which is closed to outsiders, it prevents free competition. Strengthening of the Antimonopoly Act is key to eradicating the "dango" system, which is cited as an example of unfair practices, and to creating a transparent market economy system under international rules. This is also tied to consumer interests.

In the U.S.-Japanese joint price survey, it was learned that the price gap between the two countries was great. Japanese consumers will continue losing because the economic structure is not changed.

A problem for the United States may be that it came to the meeting without having done anything about the difficult homework concerning the question of deficit reduction. The financial deficit has ballooned to $300 billion a year. In the midst of a worldwide shortage of capital, measures to strengthen savings for the country which falls short on savings is the greatest structural problem. We give Japan high marks for having indicated this point clearly.

It is meaningless if the structural adjustment between the United States and Japan results only in compiling reports. The steady action on it is, above all, important. There is a limit on what the government can do (the area where the government's hand can reach) to change the structure of Japanese enterprises such as the "keiretsu" system. Efforts by the private enterprises themselves are also necessary. Excessive government intervention with private enterprises in order to get "results" is not only contrary to the market economy system but to the objectives of SII as well. It is inappropriate for the United States to expect the Japanese Government to give guidance to enterprises.

Creating an open economic system is the duty of the major economic powers. The system should favor the consumers. It is time to return to the starting point of the SII, which is the pillar of structural adjustment between the United States and Japan.

U.S. Economic Decline Appears To Continue

912A0287A Kyoto VOICE in Japanese May 91 pp 90-99—FOR OFFICIAL USE ONLY

[Article by EPA Economic Research Institute director, Masaru Yoshitomi]

[Text] **United States Replaced by Japan in World Economy Leading Role; U.S.-Japan Structural Impediments Initiative Talks as Coordinate Axis**

When answering the question of whether the U.S. economy can be restored by having won the Gulf war, first the economic problems which the United States has embraced since the 1980's must be clearly laid out. In a word, it is weakness on the supply side and so long as it is not strengthened, the American economy will not recover in the true sense. That indeed was strongly pointed out by Japan at the U.S.-Japan Structural Impediments Initiative Talks [SII]. Consequently, the opening question is easily understood by posing the problem in the manner of whether victory in the Gulf war is related to the strengthening of the U.S. supply side that was discussed in the U.S.-Japan SII talks.

If the U.S. economy has shown any improvement after the Gulf war, the individual points of contention stated at the U.S.-Japan SII talks would be simply a moot argument and unrelated to the actual state of the economy so long as it is not made clear how they are being changed by victory in the war.

What is the supply side issue discussed at the U.S.-Japan SII talks? It is increasing national savings, including reduction of the financial deficit, in the macroeconomy aspect. That is made possible by facilities investment with low interest, expansion of supply capability, and embodiment of technical innovations. In the microeconomy aspect, it is a long-range view in management, improvement in education, a shift to public welfare fields in R&D, an increase in plant labor discipline, and strict observance of delivery dates.

None of these are matters that can be easily resolved. For example, what about the increase in labor discipline due to victory in the Gulf war? Has the quality of auto parts increased? Have social evils such as drugs disappeared? Even if firms stand on long-range views, how long is that possible when there is a system in which stock ownership relationships adhere to a settlement of accounts every quarter? These are problems of the social system itself.

There are three important things for the supply side: product quality, delivery date, and provision of technical information about the products even after sales, but they are either lacking or weak in American manufacturers. For example, Japanese NC [numerical control] machine tools opened up a market in the United States because American machine tool manufacturers did not observe delivery dates and they attacked that gap. That is because in the United States, they are often unconcerned about making you wait about two years for delivery of goods just because of an increase in the backlog of orders in good times. It is in contrast to Japan who says if you order today, we can deliver by this date and reliably observes that.

When you consider these specifics, you will understand that winning the war has no connection at all with strengthening the supply side. That actually cannot be realized without the execution of policy and changes in the management system. Consequently, victory in the Gulf war has played no role in resolving the economic problems which the United States embraces. This fact must first be perceived.

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In addition, it still is not clear at the present point in time how much war expenditures were in the Gulf war but if you consider it to be around $40 billion, then all of it in fact will have been financed by foreign nations and fortunately, U.S. finances will not get worse. However, that does not say that the details of the financial deficit up to now will be improved by that. In short, the savings shortage and financial deficit problems discussed at the U.S.-Japan SII talks still remain.

If you disregard whether it is politically possible, it is rather clear that the United States should begin some reconstruction in the financial field. As it often has been said, there probably will be a gradual increase in taxes which can check the waste of resources such as the gasoline tax, alcohol tax, tobacco tax, long distance telephone charges. Particularly with regard to oil, at the present point in time with the ending of the Gulf war, how about implementing a so-called "war victory tax increase"? When you consider that a decrease in dependence on the Middle East for oil would be a factor in lessening this problem, it can be said that a "peace tax increase," not a "peace dividend," appears to be more probable. Since they escaped an increase in taxes themselves during the war, it would not be bad even after the war.

In any case, Japan must clearly say the correct thing to the United States concerning the supply side problem. At the same time, as in the case of this war, Japan must contribute fully based on the U.S.-Japanese alliance. The skillful coexistence of these two is important.

Comparing the United States and Japan on economies, the United States clearly has more problems. The crux is the problem of supply capability as previously mentioned and the closure of Japanese markets to demand for U.S. products is a relatively small problem. As to supply capability, first of all there is savings, investments come from that, and in the process, the supply side acquires competitiveness. There is no means of solution other than that. This is a long-term problem.

The U.S.-Japan SII talks originally began with the Super 301 clause. The Super 301 clause was based on the unilateral assumption that American exports have not grown because Japanese markets are closed. That obtained many supporters not only among Americans in general, but also Japanese commentators and journalists.

The SII Talks, however, are bilateral to improve Japan, but also to improve poor aspects of the United States. In other words, it was truly a historical event in the sense that 50-50 negotiations were held where perhaps the inability to sell in the Japanese market is half due to your weak supply capability. That perception is decidedly lacking in Japanese journalism. Moreover, the point of that bilateral approach following the spirit of the U.S.-Japanese "global partnership" is very important.

U.S. Economy Era Has Ended

When the upgrading of a nation's supply capability is considered a problem, as stated before, there is first of all the macroeconomic viewpoint of savings and investment, but another strong one is the micro-supply aspect, or in other words, the production management system. Both are discussed in the SII talks.

There is a trend in that production management system that should be noted in the United States now. That is that Japanese auto makers are expanding into the United States and changing the ideal state of local assembly plants and parts manufacturers. The three most basic behaviors of product quality, delivery date, and provision of technical information after sale are changing. This suggests that the "affiliations" in Japan's production aspect are superior to the American system.

Many people are convinced that "affiliations equal bad" without analyzing the economic capability that affiliations have, but this is a mistake. The reason is that product quality, delivery date, and supply of technical information about the product sold cannot be accomplished very well in a regular market.

Not just autos, but all the products handled by Japanese firms now branching out can be called high tech, very special products. In Japan, they often are designed with the cooperation of the parent manufacturer and parts manufacturers normally from the design stage (design-in). There are parts manufacturers in Japan that have just that power. In addition, when you go to sell that kind of part on the regular market like grain or sugar, part quality cannot be guaranteed by that, you do not know if you can get your hands on the number needed per the delivery date, and technical information after the fact cannot be expected from the seller. This is a decided handicap for the supply side.

The United States considers that if that is the case, why not make the major parts within the parent company? The problem that occurs as a result of that is that the parent company gradually becomes larger. Quick turns are not effective if you become big. You cannot respond to the fast tempo of technical innovations. Also, you have too many parts divisions and "an uneconomical scale" is created. On the other hand, parts manufacturers have taken a spot market form in Europe, and there is no quality or other guarantees.

Affiliations are called "intermediate organization theory" or "intermediate market theory" in the world of economic theory and are a system that already has been explained economically. It is not the American form of internal manufacture nor the European form of spot market. What lies between them is the affiliations. Nevertheless, there is a problem in that Americans and many Japanese commentators only have the view that "affiliations equal collusion equals bad."

Two books recently put out by MIT, *Made in America* and *Machine That Changed The World*, describe the

Japanese system as "lean production," and value it highly. They say, "The Japanese system is a lean production system. This takes the place of mass production." In short, this means that "the era of Japan has come."

In the industrial revolution of the 18th century when the British were in the forefront of the world economy, the British production and management system undoubtedly was superior to that of many foreign countries. In the 20-year period before World War I, however, they were replaced by Germany. The British at that time also complained that Germany was creating a closed market through a customs union. However, it was actually because the German production system was strong, and education, ideal plants fostering engineering, and ideal management were superior to the British.

Interestingly, when the production and management system are strong, direct investments always are made to disseminate that to the world. As Lenin said, capitalism before World War I was a confrontation between the British financial capital and German so-called production capital. Great Britain was imperialist, making investments with money such as accumulating capital and buying railroad bonds of various countries. Germany, however, in compensation for not having a surplus, opposed Great Britain by direct investments embodying production and management capability. That indeed indicated that the German supply aspect was becoming superior to that of Great Britain.

Since 1919 when World War I ended, however, a mass production system now was introduced for the first time in new fields, surpassing the European form. That was Ford. Motorization was made possible by the appearance of the Ford. That made possible having large homes in the suburbs. Americans were putting home appliances such as electric vacuum cleaners and electric refrigerators in their spacious homes. In other words, the American way of life was born.

The American economy grew strong between the world wars through the American life style based on this mass production system. The United States gradually began exporting to the world leading edge products such as autos and home appliances. At the same time, they increased direct investments that embodied that in the technical and management aspects. That blossomed between the world wars and in the 1950's, and Europe and Japan vied to introduce the American form of mass production. This was the mass production system.

Hasn't that mass production system now been replaced by the Japanese lean production system? This is the MIT message. They are saying the time has now come for a change in the system which has extended over half a century, and the bearer of the new system probably will be Japan. This is not a recent fad. It had begun to be talked about several years ago.

When you consider that the U.S.-Japan SII talks have occurred amidst the opposition between this Japanese lean production system and the American mass production system, you naturally will guess who will win or lose. At the time of a "relative decline" in the United States, an alternative to this supply side system must be taken into consideration. Then you will understand there are considerable good aspects if you do not regard affiliations as bad, and objectively view them as a financial relationship, a distribution relationship, and a new, very strong system.

Furthermore, if the Japanese system is considered strong in the production management aspect, that surely will come out in direct investments as in the case of Germany and the United States. That is because other countries will accept it and want to imitate it. Actually, the very rapid growth these past few years in Japanese direct investment abroad, historically speaking, can be considered to reflect the appearance of a new system.

It must not be forgotten that after World War II, the United States was so strong everyone in the world imitated it and a great panic has occurred in the United States despite having the mass production system and the American way of life supply side. Conversely, even though a great panic has occurred, that strong production management system has survived. In that sense, business cycles which now are being discussed by Japan probably are meaningless.

Substance of Uruguay Round

Japan must contribute more to the world—this is the stock phrase when discussing international relations in Japan. A similar thing was said, for example, concerning the GATT Uruguay Round. However, doesn't everyone rack their brains if asked, "So, what is the objective of the Uruguay Round?" The feeling probably is "rice? There are indeed problems, but there is a sense of incompatibility in objectives." That also is reasonable.

That is to say, it is because there are no discussions in Japan about what the original objective of the Uruguay Round is. It particularly can be said that there are no articles of that kind in the mass media. When you talk with GATT Secretary General Dunkel and others, however, it is very simple and agrees with my opinion.

From the 1970's to the 1980's after the end of the Tokyo Round, Europe and the United States developed gray zones of protectionism, even though it does not clearly violate GATT. The very objective of this Uruguay Round is to roll that back. I believe it is a very substantive indication.

That being the case, the American self-imposed export control system and European anti-dumping tax both have become problems as gray zones. Moreover, if you fully investigate the target items, 90 percent of the amount are Japanese high tech products. There are South Korean, Taiwanese, and Eastern European items on the list, but it can be said that Japan is the real target. It is so with autos, semiconductors (this is not self-imposed control, but an agreement between the two

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nations), and NC machine tools, and that also is proof that the mass of Japanese R&D during the 1980's was strong.

This does not deserve a "Japanese lockout" by the United States and Europe. It is rather the reflection of a defensive response. It has become protectionism because of that very fact. Therefore, the objective of the Uruguay Round is to roll that back.

That is to say, a group of defensive measures related to Japan, the local contents (local procurement rate), rules of origin, and screwdriver (knockdown rule) proposed by the United States and Europe will be taken up in this round, and it is most important to go squarely in the direction of liberalization. Or, we should head in the direction of eliminating ideas such as Iaccoca recently stated to President Bush that the number of cars imported plus the number of cars made by Japanese firms in America, both together, should be held to about a 31 percent share of the market.

The EC also thought the same as Iaccoca about two years ago, but the market share theory is none other than a mutual attempt at stable protection of the oligopolistic control system by dividing the market. Indeed, it is believed to be just like Lenin's warning of the wiles of capitalists and in that sense, Lenin's bronze statue should not yet be toppled. Gorbachev continues to make half-way blunders in economic policy, but we probably should appreciate the point alone that he has not destroyed Lenin's statue.

Fitting International Contribution to "Japanese Era"

At present, all of Japan's exports and direct investments have been a mass of high tech. Since they embody the Japanese management and production system, it can be seen that R&D is used effectively and supply power that will overwhelm others is being cultivated. The meaning of the world being in a post-Cold War economic era is that it is the era when Japanese economic power will push its way out into the world all at once.

It is inadequate just to seize this era abstractly as a world of "military versus economic power" in that we must not think about which countries have military power and which have economic power. Frankly speaking, we should think that "post-Cold War" is the "era of economic power" equals "Japanese era."

It is often vaguely said that "Japan has no face," but more precisely it is that Japan does not emphasize national interest. The reason why it does not is that the Japanese people themselves do not understand national interest. It is unfortunate that we have fallen into the habit of always thinking that "Japan is bad and the world is right." Specifically, the thought pattern that "It is bad that Japanese markets are closed," "Isn't what Japan is doing strange?", and "They should harmonize with the world and live with the world" is firmly rooted. So long as this thinking remains it will be difficult to appear just to contribute to a defensive world that says you should do what we say. It means that since we are bad, we must be compared to the other's yardstick, but if we believe that the Japanese era already has begun, we should be aware that how to go smoothly in creating a system for the world and what should be done to expand the world economy are our own problems. Ourselves and Japanese interest will be reflected in that.

So, what is the national interest of Japan? It is, as Secretary General Dunkel says, the creation of an easy mechanism whereby the export of Japan's mass of high tech and direct investment is expanded freely in the world. That indeed agrees exactly with the "freedom" which Anglo Saxons have mentioned so far.

The establishment of expansion of the Japanese system as a strategy at the Uruguay Round is clear from the context. If that is the case, it should be understood that "the rice problem will be adequate only for tactical use when compared to such a big matter."

To Block Armament and Militarism Equation

This will not stop at just any economic contribution. It is a fact that when Japan tried to dispatch the Self-Defense Forces in the Gulf war, countries who had criticized us up to then as "having no face," took a complete turn and felt fear. Why? It is because Japan has not skillfully created a system that includes our own non-economic contributions within international and domestic democracy. Conversely speaking, the threat given to the nations of the world, starting with Southeast Asia, if we were to create respective frameworks for both has disappeared.

The international democracy for alleviating the threat that Japan will produce a non-economic contribution probably is basically the U.S.-Japanese alliance. That is to say, even though Southeast Asian people fear military power, they do not fear the existence of U.S. forces. That is because even though the United States is armed, armament does not equal militarism. It is democracy that blocks that equation.

Japan believes that "Non-economic contributions equal militarism." The expression that "we must shed blood" for the previous UN peace-keeping force or the recent UN PKO (Peace-Keeping Operations) is somewhat vague. Japan and, of course the world, would be surprised if it were said, "I will shed my blood." That is because there is no framework of international democracy which blocks the above equation, or in other words, no international mechanism that supervises Japan.

In this case, it is doubtful how effective election to participate only in the PKO of the United Nations would be. First of all, it is pregnant with possibilities of contradicting the U.S.-Japanese alliance. Secondly, even though the PKO was formed for dealing ex-post facto with conflicts, it does not, for example, contribute to preventing beforehand nor resolving conflicts themselves such as the Gulf crisis. So long as the UN PKO cannot be considered within the framework of the U.S.-Japanese alliance, it is, after all, a moot theory. Therefore, I was surprised that Japanese politicians extolled the UN PKO right in the middle of the Gulf crisis.

When Chancellor Kohl of Germany was criticized for the small degree of cooperation in the recent Gulf war, he proposed, "Well, would you change the Constitution and have German forces shed their blood outside of NATO?" This clearly suggested that "there is no halfway course."

In other words, there are complaints from everyone if there are absolutely no non-economic contributions. German finances gradually would go downhill giving out just money. So, this time when they try to make a military contribution, the world is afraid, remembering the nazi nightmare. While "shed your blood" is said with ambivalence both at home and abroad, they would be distressed if it were shed.

The only way for them to coexist is for Germany to incorporate its own military power within the international framework of NATO which includes the United States. It is the same if the location is moved to the Pacific, and the equation between Japanese non-economic contributions and militarism probably can only be blocked by the U.S.-Japanese alliance. That being the case, it is understood even by the people of Southeast Asia that "the dispatch of Japan's Self-Defense Forces always would be conducted under the supervision of an international framework." The withdrawal from the League of Nations and invasion of Manchuria probably is noted as the reverse.

Another thing in blocking the above equation is that there must be solid fostering of democracy at home. The test of that democracy is whether or not discussion can freely be made of, for example, non-economic contributions, including the dispatch of Self-Defense Forces depending on the case, without regarding it as taboo. The biggest problem which the Gulf war threw out can be viewed as how Japan would strengthen democracy and carry out civilian control.

Minister Rules Out Rice Issue Commitment at G-7

OW0206115191 Tokyo MAINICHI DAILY NEWS in English 1 Jun 91 p 7—FOR OFFICIAL USE ONLY

[Text] Agriculture, Forestry and Fisheries Minister Motoji Kondo on Friday ruled out any chance of Japan making a commitment to open its rice market at an international meeting in Paris next week or at the London economic summit in July.

Kondo told a press conference after a Cabinet meeting that the issue should be settled at the forum of the Uruguay Round of multilateral trade talks, being held under the General Agreement on Tariffs and Trade [GATT].

"I don't think there are any other places where the issue should be settled," he said.

His remarks came amid growing speculation that Japan will be pressed hard by other industrial countries to make a political decision on the rice issue at the ministerial meeting of the Organization for Economic Cooperation and Development [OECD] in Paris next week, or at the July 15-17 London summit meeting of seven major industrialized countries.

The United States and other farm exporters have been pressing Japan to relax its ban on rice imports in order to help salvage the deadlocked GATT trade negotiations.

The Uruguay Round has become bogged down over the issue of reducing farm subsidies, with U.S. complaints of protectionism directed particularly at the European Community.

Asked about his first meeting with U.S. Agriculture Secretary Edward Madigan, expected to take place during the OECD meeting next Tuesday and Wednesday, Kondo said he will try to convince Madigan of Japan's stance on the farm issue, and also will ask him about the U.S. position.

Kaifu Decides on Partial Rice Liberalization

OW0206022091 Tokyo MAINICHI SHIMBUN in Japanese 1 Jun 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] To introduce a new situation at the multilateral negotiations on trade (Uruguay Round), Prime Minister Toshiki Kaifu has decided on approving the partial liberalization of rice imports. At the same time, he has requested former Deputy Prime Minister Shin Kanemaru to visit the United States as the prime minister's special envoy in early July before the London Summit (summit talks of industrialized nations scheduled to be held from 15 to 17 July) and inform President Bush of this decision. This was disclosed by a source connected with the government and Liberal Democratic Party [LDP] on 31 May. It is expected that consultations will be held on the issue concerning the DPRK (North Korea) which has indicated its intention to improve relations with the United States. It is observed that Japan will ask for lateral support of the United States for its talks with North Korea. Japanese-North Korean negotiations have been deadlocked over the nuclear inspection issue.

To establish a new world order, "it is essential to cherish Japanese-U.S. relations by regarding each other as a global partner" (as stated by an LDP source). Based on this concept of attaching importance to the promotion of cooperation between Japan and the United States, Prime Minister Kaifu has decided on the partial liberalization of rice imports. Intensifying dissatisfaction with Japan has been noted in the United States, particularly in the U.S. Congress, over Japanese methods of contributing to the international community during the

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Gulf war. In addition, issues caused by trade frictions remain unsettled. In this connection, it is observed that Prime Minister Kaifu has made this decision because Japan intends to avoid at any cost further hardening Japanese-U.S. relations. Furthermore, because the Presidential election will be held in the United States next year, Prime Minister Kaifu for his part has decided on settling the rice market liberalization problem, which may become an issue, because of his intention to support President Bush.

Now that the decision has been made on the partial liberalization of rice imports, attention will now be shifted to the final consultations on minimum access (the limit set on rice imports). Concerning this point, the United States requested at the Uruguay Round held last fall that Japan should open up rice imports of up to three percent of its domestic consumption on condition that its rice import would be eventually liberalized. Moreover, it is expected that the Extraordinary Council for the Promotion of Administrative Reform (with Eiji Suzuki as chairman) will request partial liberalization of rice imports and propose setting the minimum access at from 3 to 5 percent. Thus, it is viewed that Prime Minister Kaifu plans to sound out the U.S. side on the possibility of setting the minimum access at 3 percent for the time being.

With regard to the North Korean issue, since the Japanese side brought up the "Yi Un-hyo" issue at the third round of talks on normalizing the diplomatic relations between the two nations, the negotiations have become deadlocked because of North Korea's opposition to the Japanese action. Therefore, no definite time has been set for the next round of talks.

On the other hand, the problem concerning nuclear inspection constitutes another issue at Japanese-North Korean negotiations. Concerning this issue, North Korea has shifted from its original position of maintaining that "the issue exists between North Korea and the United States," and indicated its readiness to resume talks with the International Atomic Energy Agency (IAEA). Moreover, North Korea has also disclosed its plan to apply for entry into the United Nations. Therefore, to break this stalemated situation, it has become necessary for Japan and the United States to take some action.

Mr. Kanemaru has been asked to visit the United States as special envoy because he is chairman of the Takeshita faction, the largest faction in the LDP; because he has repeatedly expressed his position of attaching importance to Japan's relations with the United States; and because he held talks with President Kim Il-song and other leaders last fall. It seems that in sending Mr. Kanemaru to the United States, Prime Minister Kaifu intends to ask the U.S. side about the progress in U.S.-North Korean talks and at the same time to request that the United States support Japanese-North Korean negotiations.

Keidanren, Farm Groups Discuss Rice Issue

OW3105133991 Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 May 91 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] It has been revealed that representatives of Keidanren and agricultural organizations, including the Central Union of Agricultural Cooperatives (Zenchu), have held "top-level talks" dealing with the question of operning the rice market and other issues, for example agricultural administration reform.

With Prime Minister Toshiki Kaifu and former Deputy Prime Minister Shin Kanemaru recently making remarks suggesting acceptance of partial opening of the rice market, the tide appears to be turning toward doing something drastic about liberalizing the rice market, which has so far been a sacrosanct topic. It is very unusual for the most powerful economic organization to hold direct talks with agricultural organizations. This could be part of the process of "preparing the ground" for partial liberalization of the rice market.

Talks were held for one hour on the morning of 10 May. For Keidanren, President Gaishi Hiraiwa, vice presidents in charge of commerce and agriculture, and committee chairmen were present at the talks. Agricultural organizations were said to have been represented by top leaders of three organizations—Mitsugu Horiuchi, president of Zenchu; Momiyoshi Shigaki, president of the National Federation of Agricultural Cooperative Associations; and Tokutaro Higaki, president of National Chamber of Agriculture; and vice presidents of various organizations.

While the idea for the talks is said to have come from Zenchu President Horiuchi, who wanted a meeting with industrial circles, the meeting was initiated by Keidranren, which invited the other participants.

In the course of the talks, Keidanren reiterated its position that "the rice issue is not sacrosanct, and the government should start to liberalize the rice market while working out measures to help domestic farmers." In response, agricultural organizations were said to have maintained their usual position, as expressed recently by Zenchu President Horiuchi in rebuttal of Kanemaru's remarks. Horiuchi said at the time: "There is no need for the Japanese side to make unilateral concessions. If the rice market is even only partially liberalized, farmers' efforts will be in vain. We can never approve it."

They also had a frank exchange of views on the question of how agricultural administration should be set up. The agricultural organizations praised the talks, saying: "The talks were very meaningful." Describing their impressions of the talks, Keidanren executives attending the meeting said: "There was less of the biting atmosphere of the past."

Keidanren once made much efforts for dialogue with agricultural organizations, forming for instance "a gathering to discuss agricultural issues in the days of internationalization" together with the National Chamber of Agriculture. However, differences of opinion began to surface over the issue of liberalizing imports of beef and oranges, and the gathering now exists in name only. Since it is said that some quarters are so sensitive about farmers' reactions to the rice issue as to be "allergic" to any remarks whatsoever, this "direct dialogue" with top leaders of the three organizations could be called historical.

In the GATT multilateral trade talks (Uruguay Round), Japan's rigid attitude on the rice issue has been criticized by the United States and other countries exporting agricultural products. Keidanren's may have a long-term goal in mind in promoting understanding among agricultural organizations on the rice issue. It does not want the rice issue to become a seed of economic friction between industrial circles.

Ministry Responds 'Cautiously' to DPRK Talks

OW0106015291 Tokyo THE JAPAN TIMES in English 31 May 91 p 1—FOR OFFICIAL USE ONLY

[Text] The Foreign Ministry has responded cautiously, with a mixture of hope and skepticism, to reports that North Korea is ready to resume talks on a nuclear safeguard treaty with the International Atomic Energy Agency [IAEA].

Officials say they will have to wait and see whether the latest North Korean initiative, following its surprise announcement that it will apply for United Nations membership, is a real sign of overall change in Pyongyang's foreign policy.

Since Japan views North Korea's refusal to accept inspection of its nuclear facilities as one of the major obstacles to normalizing bilateral ties, the government will explore various diplomatic means of increasing international pressure on Pyongyang to sign the accord, a top-ranking official said.

These include the upcoming G-7 summit meeting in London, the official said.

According to the ministry, the North Korean observer mission chief to the U.N. office in Vienna handed a letter to IAEA Director General Hans Blix last week, saying that Pyongyang is ready to resume talks suspended since last July.

North Korea signed the Nuclear Nonproliferation Treaty [NPT] in 1985, which obliges signatories to conclude a safeguard treaty to accept inspection of their nuclear facilities within 18 months.

But Pyongyang has since refused to sign the safeguard accord, saying it will not allow inspection unless the United States removes nuclear weapons deployed in its military bases in South Korea.

The IAEA has said U.S. nuclear forces in South Korea have nothing to do with its negotiations with Pyongyang because the inspection is an unconditional duty of NPT signatories.

The letter submitted to the IAEA director general reportedly does not refer to U.S. forces in South Korea.

A top-ranking Foreign Ministry official noted, however, that too little information is available to judge the real intention of Pyongyang in offering to resume talks with the IAEA.

Through normalization talks with Japan, North Korean delegates have consistently said they would accept inspection only when U.S. forces in South Korea are put to verification as well.

In the latest round of talks held in Beijing last week, Pyongyang officials criticized Japan for making resolution of the issue a precondition for normalized ties, and said they would not discuss the matter any more with Tokyo.

The official said he "strongly hopes" that the recent North Korean decision to apply for U.N. membership will turn out to be part of a broader shift in its foreign policy, and that Pyongyang will become more flexible on the nuclear inspection issue as well as in resuming suspended toplevel dialogue with South Korea.

At the same time, he indirectly expressed concern that the move might be designed only to take advantage of the current domestic confusion in South Korea.

According to another official, there is practically nothing left for the IAEA and North Korea to negotiate.

It is not impossible that North Korea, upon the order of its leader Kim Il-song, has suddenly decided to accept inspection, he noted.

It is more likely, however, that North Korea is only trying to buy time so it can avoid international criticism at an IAEA meeting next month or when it applies or U.N. membership in September, the official pointed out.

"They can claim that the matter is under negotiation," he added.

No matter where North Korea's intentions lie, Japan will continue multifaceted diplomatic efforts to urge Pyongyang to accept IAEA inspection, the top-ranking official said.

While continuing to press on the matter through bilateral talks with North Korea, Japan will raise the issue at the London summit in July and other occasions so that a consensus can be formed among major industrialized nations on Pyongyang's nuclear inspection problem, the official indicated.

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Tokyo To Send SDF To Support Cambodian Truce

OW0306143991 Tokyo THE DAILY YOMIURI in English 3 Jun 91 p 1—FOR OFFICIAL USE ONLY

[Text] The government has decided to dispatch Self-Defense Forces [SDF] members as unarmed military personnel to the U.N. Transitional Authority for Cambodia (UNTAC) to monitor a ceasefire of the country's 12-year civil war, government sources said Sunday.

The SDF members would refrain from directly participating with U.S. peacekeeping troops but at least should serve in ceasefire monitoring and logistic service as part of Japan's international role, the soures said.

Apart from the SDF members, Japanese civilian officials would also join the UNTAC sections to monitor elections, administration and human rights, they said.

According to government documents obtained by The Yomiuri Shimbun, the UNTAC is supposed to comprise its headquarters, led by a special envoy of the U.N. secretary general, and military and civilian divisions.

The military division would consist of the peacekeeping military with 500 to 800 troops per participating nation, a ceasefire monitoring team with five to 25 officers per nation, military police with several dozens per nation, and logistical troops.

The civilian division would comprise monitoring teams of election, administration and human rights, with several dozen officials per nation, civil police with 20 to 100 members per nation and the logistic section of U.N. officials.

The document on the peace process in Cambodia and Japan's role in U.N. peacekeeping operations was compiled mainly by the Foreign Ministry, the sources said.

They said it was produced out of the necessity to study concrete contribution measures in Cambodia simultaneously with the ongoing consideration of establishing a Japanese team for peacekeeping missions. That team is expected to play an important role in Cambodia.

Because Cambodia's distance from their home nations has kept northern European peacekeeping troops inexperiened in activities there, the documents say Japan should share larger burdens there.

In the UNTAC's military division, Japan would dispatch SDF members to the ceasefire monitoring team and the logistical section to back up peacekeeping military and monitoring teams, the documents say.

The logistical section would be in charge of transportation, supply, repairs, telecommunications and medical treatment.

The government has decided not to send SDF members to the peacekeeping military units, which could use military force for self-defense, because their participation would be unconstitutional, the sources said.

Atsuo Kudo, director general of the Cabinet Legislation Bureau, told the Diet that Japanese members would not be allowed to take part in U.N. peacekeeping missions entailing use of force.

In the UNTAC's civilian division, the documents say, Japanese members would supervise an election, just as in Namibia in 1989 and Nicaragua in 1990. Japanese would also take care of administrative management to adjust census registration and legislation for the election.

Japanese civilian members would monitor human rights to prevent hostilities among opposing Cambodian factions and the reoccurrence of genocide, the documents say.

However, it is uncertain if the government's plan for Japan's role in the UNTAC will be endorsed in the Diet, because arguments of political parties remain divided, political pundits said.

Most members of the Liberal Democratic and Democratic Socialist parties are in favor of the team's participation in the U.N. ceasefire monitoring team and military logistic section.

However, although Komeito is leaning toward allowing SDF members' participation in the team, it has not yet reached a complete consensus. Komeito has a casting vote over this issue in the Diet, the pundits said.

The Social Democratic Party of Japan has just formulated its own plan to limit the new team's missions to nonmilitary purposes, they said.

Tokyo To Promote SRV Personnel Exchanges

OW0306102891 Tokyo YOMIURI SHIMBUN in Japanese 3 June 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Text] As part of "Japan's informational assistance" to Vietnam, which is now pursuing the reformist policy (Doi Moi or reform), and also has plans to introduce a market economy, the government has firmed up a plan to launch a program to promote exchanges of researchers between Japan and Vietnam within the year to help the Vietnamese understand modern Japan. This was disclosed by a government source on 31 May.

This plan will be formally notified by Foreign Mininster Nakayama to the Vietnamese side when he visits Vietnam on 10 June.

The plan's purpose is to provide economic and social development of modern Japan to the Vietnamese through the implementation of the program between a research institute in Vietnam and the International Exchanges Fund in Japan. Under the plan, Japanese

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professors will give lectures in Vietnam for a few months and Vietnamese researchers will be invited to Japanese universities.

Labor Group Decides To Recognize SDF

OW0106114091 Tokyo ASAHI EVENING NEWS in English 31 May 91 p 4—FOR OFFICIAL USE ONLY

[Text] A 3.11 million-strong organization made up of labor unions backing the Social Democratic Party of Japan (SDPJ) decided Thursday to recognize the Self-Defense Forces (SDF) by shelving the question of whether the SDF is constitutional.

In a meeting with the SDPJ Party Reform Committee later in the day, the Sohyo Center, composed of former members of the defunct SDPJ-supporting General Council of Trade Unions of Japan (Sohyo), presented a document outlining its policy switch.

The policy turnabout by the unions, which have been the mainstay of the postwar struggle against the SDF, is expected to influence the intra-SDPJ debate for reforming itself.

"The member unions are divided on whether the SDF are constitutional or not, but they have agreed on a view that what actually exists should be recognized," said Eikichi Magara, chairman of the Sohyo Center.

Agency Plans 'Radical Revision' of Ground SDF

OW0406043091 Tokyo YOMIURI SHIMBUN in Japanese 3 Jun 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] The Defense Agency [DA] has decided to conduct a radical revision of the Ground Self-Defense Force's [GSDF] deployment of 12 divisions and two combined brigades (except the 7th Division, a tank division)—which hitherto has been stationed geographically—and to consolidate and reorganize the forces, including the reduction of number of divisions. It has instructed the Ground Staff Office to draw up a concrete plan on 2 June. Basically, this will involve the possible reorganization of the 3d Division (based in Itami, Hyogo Prefecture), which is an A Division consisting of 9,000 men, into a B Division consisting of 7,000 men in the revision of the New Defense Buildup Plan 3 years from now. Furthermore, in the New New [as published] Mid-Term Defense Plan expected to be drawn up 5 years from now, the DA favors the following major measures: 1) reducing the number of divisions, primarily retrenching and consolidating the divisions in the Japan Sea side and inland locations on Honshu Island; 2) concentrating the deployment of divisions on Hokkaido; and 3) divisions stationed in Kyushu will be kept at present levels, in consideration of the situation on the Korean peninsula. The SDF will face its most significant organizational change since its founding in 1954.

The reason behind the changes is a serious shortage of personnel in the SDF. In fiscal year 1991, while the full number of personnel for the GSDF is 180,000, it is only able to fill 84.5 percent of the slots. On the other hand, the Maritime SDF is only able to fill 94.5 percent of its 46,520 personnel, while the Air SDF is only able to fill 94.5 percent of its 47,967 personnel. Among the three branches, the GSDF is particularly short of personnel.

For the reason mentioned above, although the GSDF has 7 A Divisions (with four regiments) of 9,000 men each, and 5 B Divisions (with three regiments), the concentration of personnel deployment in the 2d, 5th, 7th and 11th Divisions in Hokkaido from the point of view of safeguarding the north results in a situation in which the other divisions have only 56 percent of the designated number of personnel. The fact is, some divisions are unable to maintain its original number of regiments and there are regiments which only exist in name.

Moreover, the population of the age range suitable for SDF recruitment (18 to 24) is expected to decline from the present 4.2 million to 3 million in 10 years. From the present difficulty in personnel recruitment, it is thought that it would be difficult to maintain the present level of forces.

For this reason, the New Mid-Term Defense Buildup Plan is attaching great importance to this problem and has decided to "consider the ideal composition of the defense force, including the number of SDF officers, and arrive at a conclusion before the plan ends." A study of this is underway.

However, it is deemed that abrupt changes would have difficulty in winning the understanding of the concerned sectors. Thus, for the time being, the DA will start from downgrading the 3d Division responsible for the defense of the Kinki area into a 7,000-men division and postpone radical reorganization for 5 years.

While the New Mid-Term Defense Plan also advocates "balanced deployment" of SDF divisions "based on geographical factors," opinions within the DA maintain that "divisions in the Japan Sea side and inland area of Honshu Island deal with relatively small threats" (according to professional military officers). Therefore, it is believed that the comtemplated reorganization will involve divisions on Honshu, primarily the Middle Army consisting of the 10th Division (based in Nagoya City), the 3d Division (based in Itami, Hyogo), the 13th Division (based in Kaita, Hiroshima Prefecture), and the 2d Combined Brigade (based in Zentsuji, Kagawa Prefecture), except for the 1st Division (based in Nerima, Tokyo) responsible for the defense of the metropolitan area.

Keidanren Official on ODA Policy Reevaluation

OW0406043591 Tokyo THE JAPAN TIMES in English 3 Jun 91 p 7—FOR OFFICIAL USE ONLY

["Japanese Perspective" column article by Katsuhiro Fujiwara, director of the economic cooperation department of Keidanren: "Providing Economic Aid"]

[Text] Japan overtook the United States in 1989 as the world's largest lender of official development assistance [ODA], and in July of that year completed payments of its loans from the World Bank.

For the past 40-odd years since the end of World War II, the country depended on the U.S. and the World Bank for economic cooperation in developing its own national economy while expanding its economic cooperation with developing countries.

1990 marked a major milestone for Japan, which had been an assistance recipient as well as a donor nation. And now, attention is focusing on Japan's economic assistance both at home and abroad.

In June 1990, the Federation of Economic Organizations (Keidanren) announced a package of recommendations on Japan's ODA policy options.

The world has since witnessed a flurry of historical events on both political and economic fronts—the unification of East and West Germany, the Persian Gulf War, the economic unrest in the Soviet Union—and has put North-South problems of the haves and have-nots before the East-West military confrontation.

Amid growing expectations for Japan's ODA, the country is now faced with the overriding need to reevaluate its ODA policy options.

There are some important aspects calling for attention.

First of all, it seems that the principles, purposes and basic policies of Japanese economic assistance are not sufficiently understood both at home and abroad.

Japan attaches importance to mutual dependence and humanitarian considerations, but this basic concept is too abstract to win understanding.

Japan provides assistance on the basis of a recipient nation's request and places emphasis on loans in line with its basic policy of assisting the recipient nation's "self-help" effort, and there is no denying that such assistance has made significant contributions to economic development in Asian countries.

Yet there appears to be much room left for Japan to cultivate foreign understanding of this policy objective.

Apparently with an eye on the impact of the Gulf War on Japan, Prime Minister Toshiki Kaifu recently declared that Japan will take into consideration ODA recipient nations' military expenditures, development and manufacture of weapons of mass destruction, exports and imports of weapons and other factors affecting democracy and human rights.

Although problems may arise in applying the new policy to specific cases, the idea is easy to understand, though it remains to be seen how the government intends to forge a specific program based on this policy line.

Secondly, it is not an easy task to provide ODA on the basis of the recipient country's request.

The recipient country must draw a blueprint for a project in need of assistance before presenting it to the Japanese government.

Assistance is needed at the stage of project selection and at the drawing board as well.

Japan, for its part, must obtain at least basic knowledge and information on recipient countries and areas in selecting projects from among a number of candidate plans submitted by a good number of would-be recipients.

Also emerging as a new problem in Japan are serious shortages of competent personnel to work on assistant programs and to be engaged in studies on countries and areas involved.

The Foundation for Advanced Studies on International Development was set up in Japan last year to help solve this problems.

Thirdly, economic development calls for development of domestic industries designed to earn much-needed foreign exchange, as well as a reliable infrastructure such as roads, shipping ports and electric power plants.

As many developing countries are now well aware, foreign capital, advanced production technology and managerial knowhow, developing countries are looking to Japan for direct investment from the private sector.

Apparently demonstrating their eagerness to obtain foreign capital, avanced production technology and managerial knowhow, developing countries are looking to Japan for direct investment from the private sector.

In short, Japan is faced with growing expectations for ODA closely interrelated with economic assistance from the private sector of the economy in the fields of direct investment, trade, technological transfer and other activities.

Mitsubishi To Support Space Communication Project

OW2105132891 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Apr 91 Morning Edition p 1—FOR OFFICIAL USE ONLY

[Text] Twenty-eight companies of the Mitsubishi group, like Mitsubishi Corporation and Mitsubishi Electric

Corporation, have decided to provide a total of Y [yen] 40 billion in increased capitalization for the satellite communications company, Space Communications Center [SCC, main office in Tokyo, President Hiromune Minagawa, capital Y40 billion]. It is considered certain that SCC debts will be judged excessive as a result of a recent series of accidents. With the prospect of financial support becoming certain, the SCC will hold a directors meeting on 25 April to officially decide on a plan to launch substitute satellites; it will also decide on a top personnel reshuffle.

Mitsubishi has been forced to back down much from its satellite plan because of the loss of two satellites. In view of the public nature of the project, however, Mitsubishi decided it is necessary that the project should be pushed on with financial support from the entire group.

The increase of capitalization by Y40 billion will be shared among the 28 companies of the Mitsubishi group according to their current capital contribution ratio. The contribution structure is: Mitsubishi Corporation, 26.5 percent; Mitsubishi Electric Corporation, 20.45 percent; Mitsubishi Heavy Industries, 10 percent; and the Mitsubishi Bank, the Mitsubishi Trust and Banking Corporation, Mitsubishi Real Estate Company, Kirin Brewery Company, each 5 percent. The additional capital contribution will be: Y10.6 billion from Mitsubishi Corporation; Y8.18 from Mitsubishi Electric Corporation, Y4 billion from Mitsubishi Heavy Industries, and so forth.

The SCC will decide on its plan for two substitute satellites, along with the increase of capital, on 25 April. Space Systems Rolal [name as published] (formerly Ford Aerospace) will continue to be the procurement agency for both satellites.

A top personnel reshuffle will also be decided unofficially, retiring President Minagawa and naming Yoshio Taniguchi, standing adviser of Mitsubishi Corporation, as new president. The company restructureing plan, including the plan to increase capitalization, was reviewed by the Ministry of Posts and Telecommunications.

Firm To Provide Consultations on PRC Project

OW0206060691 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Jun 91 Morning Edition p 11—FOR OFFICIAL USE ONLY

[Text] Taisei Corporation has received an order for consultation business on building an artificial island for a large- scale oilfield development project in Bohai, China. Taisei signed a contract with Bohai Oil Corporation [BOC] (with its head office in Beijing), a company affiliated with the Chinese Government. According to the contract, Taisei will set out conducting an evaluation of technological and planning capabilities for the project. BOC has selected Taisei for its accumulated experiences in construction of an artificial island which is capable of resisting water and earthquakes because floating ice and frequent earthquakes around the construction site will certainly make construction work all the more difficult. Taking advantage of this opportunity, Taisei intends to put emphasis on seeking more projects for developing oilfields and ports in East Asia, including those located off Sakhalin of the Soviet Union.

The mining field to be developed, Sub-District 3 of District 9 of the Jinzhou Mining District, is located 20 kilometers off the Liao Dong Bay in the northern Bohai. The project will be carried out exclusively by BOC. The oil reserve has proven to be a little less than 200 million barrels. During the first stage, an artificial island about 120 square meters in area will be erected, and then facilities for oil field digging, oil storage, shipping, and staff's living quarters will be concentrated on the island.

BOC conducted an international bidding for the project last April, and a joint venture with the Norwegian NPC Corporation as managing underwriter won the bidding. The construction will start this year and will be completed in June 1993.

Because of the shallow sea depth, which makes it impossible to use large construction boats in the area, the artificial island will be built in a nearby dock, towed to the site, and placed on the sea bottom. Because China has little experience in erecting a large- scale structure on the water or in placing it on the sea bottom, it has been decided to consign the evaluation of the operation plan submitted by NPC Corporation with a fee amounting to approximately $30,000. From now on, Taisei is also expected to receive orders for general consultations on this project, including plans for actual construction and management works.

Taisei has developed planning and construction technologies for building an artificial island for oil development capable of resisting ice and earthquakes. It has obtained an approval from the Norway Classification Society, an international authority on inspection of artificial islands. During the past few years, projects for developing oilfields and ports have been worked out one after another in China and in the Soviet Far East. Thus, Taisei has decided to receive orders for similar projects in those fields with lower operational risk.

Drift-Net Fishing Monitoring To Continue

OW0106150391 Tokyo JIJI in English 1358 GMT 1 Jun 91—FOR OFFICIAL USE ONLY

[Text] Toronto, May 31 (JIJI PRESS)—The monitoring of Japan's drift-net squid fishing in northern Pacific waters will be extended for another year until June 1992, the government said Friday.

The joint monitoring by Canada, the United States and Japan started in 1989 under a U.N. resolution for collecting data necessary to examine the extent of accidental drift net catching of dolphins, sea birds and other non-target living marine resources.

The U.N. resolution adopted in late 1989 calls for moratoria on all drift-net operations on the high seas (?until) June 1992 unless conservation measures are taken to prevent unacceptable effects of such fishing methods.

Until June next year, 61 observers—10 Canadian, 30 Americans and 21 Japanese—will board Japanese drift-net squid fishing boats that operate in the north Pacific.

According to the results of the monitoring in 1989, 32 Japanese boats that hauled a total of three million squids also caught about 9,000 sea birds, 900 dolphins and 80 fur seals.

Mitsuzuka 'Highly Likely' To Succeed Abe

OW0106113191 Tokyo THE DAILY YOMIURI in English 1 Jun 91 p 1—FOR OFFICIAL USE ONLY

[Text] It is highly likely that former Foreign Minister Hiroshi Mitsuzuka will assume the chairmanship of the second-largest Liberal Democratic Party [LDP] faction, which was led by the late Shintaro Abe, faction leaders said Thursday.

The leaders, requesting anonymity, said that a group supporting Mitsuzuka, who now serves as secretary general of the faction, and former Education Minister Yoshiro Mori has already garnered the support of a majority in the faction, particularly among younger members.

A new chairman of the faction is scheduled to be chosen following a formal funeral for Abe to be sponsored by the Yamaguchi-ken government on June 17. The former LDP secretary general, who died on May 15, was once regarded as the leading candidate to succeed Prime Minister Toshiki Kaifu.

Since struggles among faction leaders over who will succeed Abe have surfaced, however, an increasing number of faction members have demanded that a new chairman be selected as soon as possible to prevent divisions within the faction.

Mitsuzuka, 63, Mori, 53, LDP Policy Research Council Chairman Mutsuki Kato, 64, and former Chief Cabinet Secretary Masajuro Shiokawa, 69, have been termed the "Big Four" of the faction.

Mitsuzuka and Mori recently forged a de facto alliance to chair the faction as there is no competition between the two due to the gap in their ages, and now have the support of most of the younger members of the 89-strong faction, the leaders said.

Supporters of Kato, a minority in the faction, have sought cooperation from aides to Shiokawa to cope with the Mitsuzuka-Mori coalition, causing fear among some members that the faction will split into two, they said. Members of the Kato group, however, have reached a consensus that they will not seek to disrupt the unity of the faction, an aide to Kato stressed.

Kaifu Wins Support on Political Reform

OW0106114191 Tokyo THE DAILY YOMIURI in English 1 Jun 91 p 3—FOR OFFICIAL USE ONLY

["Political Beat" column by Kojiro Shiraishi: "Kaifu Wins on Reform—But the Price May Be High"]

[Text] Prime Minister Toshiki Kaifu has pulled it off. Everybody thought he had missed his best chance to get his extraordinary Diet session to discuss political reform off the ground. But Kaifu persevered, and now it seems he will be rewarded.

Kaifu summoned four recalcitrant top officials of the Liberal Democratic Party [LDP] to a Tokyo hotel on May 26 and managed to persuade them after over two hours and 45 minutes of discussion to convene the session in late July, soon after the London summit.

Restoring popular trust in politics has supposedly been Kaifu's biggest task in the two years of his tenure since he succeeded Sosuke Uno, who resigned in the wake of a disastrous setback in the House of Councillors election.

Kaifu, convinced that there will be no future for the LDP without political reform, was fired enough over the issue to beat down the opposition of the four top party officials.

After the close of the regular Diet session on May 8, LDP enthusiasm for political reforms suddenly cooled. The plan to introduce single-seat constituencies and proportional representation was not popular with party leaders. Former Deputy Prime Minister Shin Kanemaru, former Prime Minister Noboru Takeshita and former Policy Research Council Chairman Michio Watanabe, all expressed reservations about holding an extraordinary session.

Yet introduction of the two systems is said to be crucial to political reform.

The party bosses told Kaifu that opposition to the single-seat constituency system exists not only among the opposition parties but also in the LDP itself, and warned him to tread softly during the extraordinary session.

LDP leaders have already signaled their intention to water down the reform program drawn up by the party's Political Reform Promotion Headquarters.

Headed by Masayoshi Ito, a former party Executive Council chairman, this body has just finalized blueprints for political reform, and is to draft the blueprints into bills by June and submit the bills to the extraordinary Diet session to be convened in July.

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Cambodian SNC Meeting Continues

Indonesian Foreign Minister: No Concrete Results

BK0306154991 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 3 Jun 91

[Text] The president and Mrs. Suharto hosted a dinner banquet for Prince Sihanouk and his wife at Merdeka Palace this evening. Before the banquet, there was an exchange of souvenirs. Prince Sihanouk presented a flower vase and a golden-colored elephant statue to President Suharto, while Prince Sihanouk's wife presented a statue of a golden-colored bird and a ceramic carving. In return, President Suharto gave a painting of a Hanuman puppet and statues of Rama and Sinta, while Mrs. Suharto presented batik clothes and a tea set made of silver. When he presented the souvenirs, President Suharto expressed his hope that the Cambodian people will be able to solve their problem in the same manner as Hanuman, a legendary knight, did with his country's problems.

Also present at the dinner banquet were Coordinating Minister for Public Welfare Suparjo Rustam, Minister-State Secretary Murdiono, and their wives.

Meanwhile, Foreign Minister Ali Alatas told reporters after the second day of the Cambodian Supreme National Council [SNC] meeting that the meeting has so far produced no concrete results. The two cochairmen of the SNC meeting had further clarified the peace initiative of the five permanent members of the UN Security Council and continued to mediate the differences of opinion between the Cambodian resistance camp and Hun Sen.

Two new problems initiated by Hun Sen and Prince Sihanouk, namely the issue of SNC chairman and vice chairman and extension of the cease-fire, have apparently stalled the UN peace initiative. The two cochairmen have not received an official response from the Son Sann and Khieu Samphan factions. The SNC meeting will continue tomorrow and is scheduled to end in the afternoon.

Further on Alatas Remarks

BK0406093891 Jakarta ANTARA in English 0738 GMT 4 Jun 91

[Text] Jakarta, June 4 (OANA-ANTARA)—Foreign Affairs Minister Ali Alatas said that he would check reports on serious fighting between guerilla and government forces which broke out in western Cambodia amidst SNC [Supreme National Council] talks to end the 12-year old conflict in the country.

When asked to comment on the ceasefire violation after giving a press conference Monday night, Alatas, who co-chairs together with French Foreign Minister Roland Dumas the Paris International Conference on Cambodia (PICC), said that he had not read the reports but would check it first.

The SNC talks Monday also discussed the prolongation of the one- month-long ceasefire which went into effect on 1 May and was aimed at creating amity ahead of the present talks on a UN peace plan.

According to Alatas, Phnom Penh Prime Minister Hun Sen and Prince Norodom Sihanouk agreed on prolongation of the ceasefire but the answer of other factions was not yet clear.

He said he hoped a clear answer on the issue would come up in the final day (Tuesday) of the June 2-5 SNC meeting.

Menwhile, REUTER reported from Bangkok Tuesday that Phnom Penh Government forces had launched an offensive to take the Khmer Rouge- controlled town of Pailin.

The four warring Cambodian factions have accused each other of violating the ceasefire. The Khmer Rouge, under whose [word indistinct] one million people were killed, threatened to resume fighting on June 5 if Phnom Penh failed to accept the UN peace plan during the Jakarta talks.

Sihanouk Hosts Luncheon for Hun Sen

BK0406132891 Phnom Penh SPK in English 1109 GMT 4 Jun 91

[Text] Phnom Penh SPK June 4—Prince Norodom Sihanouk said in Jakarta yesterday morning that it appeared up to now to have a [word indistinct] among the "non-Khmer Rouge" Cambodian people after he had agreed yesterday with Cambodian P.M. [Prime Minister] Hun Sen.

At Sunday-luncheon hosted by Prince Sihanouk and his wife Monique in Hun Sen's honour, the prince agreed with Hun Sen that he should be the chairman of SNC and P.M. Hun Sen the vice chairman. They also agreed that there should be a prolongation of the cease-fire now in place in Cambodia without a limitation of time.

However, the prince told reporters Monday morning after his meeting with President Suharto that according to the Khmer Rouge leader Khieu Samphan "P-5 [the 5 permanent members of the UN Security Council] should concentrate on the implementation of the P-5 plan in full before examining the question of the chairman and vice chairmanship."

Prince Sihanouk said that he relied on the Indonesian president and the skill of Foreign Minister Ali Alatas to try to narrow the gap existing between the Khmer Rouge and the non-Khmer Rouge Cambodians.

Despite the differences between Khmer Rouge and the other Cambodian parties, he said "Hun Sen and I myself have already built up a good basis for the near future."

According to the prince, Khieu Samphan said that if there is a failure in the negotiation among the Cambodian factions in Jakarta, the Khmer Rouge will abide by putting an end to the cease-fire and going on fighting.

Khmer Rouge's 'Closed-In Behavior' Criticized

BK0306150491 Hong Kong AFP in English 1456 GMT 3 Jun 91

[Text] Jakarta, June 3 (AFP)—The latest round of Cambodian peace talks appeared to have virtually stalled Monday with conference co-chair France strongly criticizing the Khmer Rouge [KR] for "its closed-in behavior."

"It must be recognized that we are rather far from the hopes of the beginning" of the talks, French Secretary of State for Foreign Affairs Alain Vivien said after a second day of discussions.

Mr. Vivien made his remarks after he and Indonesian Foreign Minister Ali Alatas met with leaders of the three resistance movements, the Marxist Khmer Rouge and two non-communist groups.

He said the Khmer Rouge had kept silent on an agreement between resistance leader Prince Norodom Sihanouk and Phnom Penh Premier Hun Sen to expand the Supreme National Council to 14 members, with the former monarch as chairman and Mr. Hun Sen as vice chairman.

The Khmer Rouge also stayed silent on amendments to a U.N. peace plan proposed by Phnom Penh, Mr. Vivien said. He suggested they were also balking at efforts to entend a cease-fire declared May 1.

The French minister criticized "the behavior of the Khmer Rouge, which is a closed-in behavior."

Mr. Vivien said "we are in a high-risk area" but stopped short of saying the talks, which began Sunday, were in virtual collapse. An aide said later that "that is the message we are trying to pass."

Asked whether the lack of progress here boded ill for continuation of the talks under the Paris conference on Cambodia, co-chaired by France and Indonesia, he said "that will give rise to some reflection."

In a press conference, Indonesian Foreign Minister Ali Alatas gave a much more upbeat account, saying he was not in a position to say they were about to stall: "It is tough going but we expected that all along."

He said he was hopeful the talks had "renewed the momentum so that we can now proceed in all earnestness and ... with no further delay to the eventual reconvening of the Paris conference on Cambodia."

"The process is continuing," Mr. Alatas said.

SPK Reports Ongoing Consultations in Jakarta

BK0406133891 Phnom Penh SPK in English 1113 GMT 4 Jun 91

[Text] Phnom Penh SPK June 4—Consultations have been going on in Jakarta yesterday [3 May] between the Cambodian parties and the two co-chairmen in second day of the second meeting of the PCC [Paris Conference on Cambodia] co-chairmen with the Cambodian Supreme National Council (C-SNC).

Six members of the SNC representing the State of Cambodia side met Monday morning with the two co-chairmen and the special representative of the UN Secretary General to discuss the proposal put forward by the former for the concrete amendments to the November 26 draft agreements.

The proposal deals with the "concrete" measure aimed at preventing the return of the genocidal regime, the military arrangements, as well as the respect for Cambodia's sovereignty embodied by the SNC during the transitional period.

After yesterday morning consultation, Cambodian P.M. [Prime Minister] Hun Sen separately received Mr. Imagawa, Japanese diplomat attached to the Japanese Embassy in Bangkok, and the [word indistinct] ambassador to Indonesia in the morning.

Further on Sihanouk, Hun Sen Agreement

BK0406043591 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 3 Jun 91

[Text] Here is a report that our radio has just received:

According to the SPK correspondent, on the morning of 3 June in Jakarta, Samdech Norodom Sihanouk said that by now, a unanimous approval is needed from the non-Polpotist Cambodians on the agreement that the samdech has reached with Council of Ministers Chairman Comrade Hun Sen.

On 2 June, at a luncheon given in honor of Chairman Comrade Hun Sen by Samdech Norodom Sihanouk and Neak Moniang Monique, Samdech Norodom Sihanouk agreed with Chairman Comrade Hun Sen that the samdech would be appointed chairman of the Supreme National Council [SNC] and Chairman Comrade Hun Sen would be appointed as SNC vice chairman. Samdech Norodom Sihanouk and Chairman Comrade Hun Sen also agreed that the voluntary cease-fire in Cambodia would be extended without limitation of time. However, Samdech Norodom Sihanouk told the correspondent on 3 June morning after his meeting with Indonesian President Suharto that according to Khieu Samphan, the Polpotist leaders were of the opinion that all the meeting participants should concentrate on the implementation of the UN peace plan in its entirety before considering the appointment of the SNC chairman and vice chairman.

Samdech Norodom Sihanouk also said that he only followed Indonesian President Suharto and Indonesian Foreign Minister Ali Alatas for the sake of rapprochement between the Pol Pot group and those who do not collaborate with it.

Samdech Norodom Sihanouk stressed further that although there were differences between the Pol Pot faction and the other groups, the samdech and Chairman Comrade Hun Sen have built a good foundation for the near future.

According to Samdech Norodom Sihanouk, Khieu Samphan said that should the current meeting fail, the Pol Pot faction would put an end to the voluntary cease-fire and renew the fight.

France, Indonesia Make Bid To Revive Talks

BK0406055891 Hong Kong AFP in English 0521 GMT 4 Jun 91

[Text] Jakarta, June 4 (AFP)—France and Indonesia made a last-minute bid Tuesday to revive Cambodian talks here, with proposals to tone down a series of hard-line amendments advanced by Phnom Penh to a U.N. peace plan.

The co-chairmen were presenting "proposed improvements" to Phnom Penh Prime Minister Hun Sen, whose insistence on holding the ousted Khmer Rouge regime accountable for genocide threatened to derail the talks, diplomatic sources said.

A member of the French delegation said the five-page document, a copy of which was obtained by AGENCE FRANCE-PRESSE, had been accepted by the two non-communist resistance factions but the Khmer Rouge had made no response.

Attempts to nail down details of a peace plan drafted by the five permament members of the U.N. Security Council and accepted by the four Cambodian factions in December appeared in serious trouble Monday night.

Efforts to resolve the leadership of the Supreme National Council (SNC) were also stalled with the Khmer Rouge balking at a proposal to name resistance leader Prince Norodom Sihanouk chairman and Mr. Hun Sen vice chairman.

The future of the cease-fire declared May 1 remains in doubt. The Khmer Rouge, militarily the strongest resistance group, has so far held to its threat to call off the cease-fire Wednesday if no progress is made here.

France reported a virtual impasse in the three-day talks due to end Tuesday but Indonesian Foreign Minister Ali Alatas said he was still hopeful of progress even if the negotiations were "tough going."

The five pages of "improvements" to the Phnom Penh amendments replace direct references to Khmer Rouge genocide with the phrase "universally condemned policies and practices of the recent past."

The only mention of the word genocide in the co-chairmen's text was in connection with a pledge to respect the U.N. Convention on the Prevention and Punishment of Crimes of Genocide.

Instead of Phnom Penh's call to bar from future elections any party that does not renounce genocide, the co-chairmen proposed making "those whose civil rights have been suspended by court order" ineligible to vote.

Deleted was a call by the Vietnamese-backed government for an international tribunal to try Khmer Rouge leaders for genocide in connection with the hundreds of thousands of deaths during their 1975-1979 rule.

A Soviet diplomatic source indicated that Mr. Hun Sen might be ready to give up the tribunal proposal. A French source said the Phnom Penh leader "realises the difficulties this (the tribunal) presents technically."

France and Indonesia made no proposals on the Phnom Penh amendments regarding supervision of armies during peace efforts or the authority of a U.N. administration that would be formed in Cambodia pending elections.

But diplomats saw the Khmer Rouge becoming isolated on the question of the SNC, which has been bogged down by the leadership squabble since it was formed in September to embody Cambodian sovereignty during the transition.

Prince Sihanouk and Mr. Hun Sen announced their leadership proposal Sunday, adding the SNC would be expanded from 12 to 14 seats with the former monarch the seventh resistance member and a seventh named by Phnom Penh to maintain parity.

Nationalist leader Son Sann, who first balked at the plan, announced his agreement on it and an extended cease-fire late Monday. Prince Norodom Ranariddh, Prince Sihanouk's son and head of his movement, also said he would go along after consultations with his father.

"The Khmer Rouge are isolated," a French source said. Another Western diplomat added that "this was somewhat the goal we were looking for."

Mr. Alatas continued to say he was optimistic that sufficient progress could be made to reconvene another session of the Paris Conference on Cambodia which his country chairs with France.

But a member of the French delegation said his country was "stressing the risk that failure (of the talks) could lead to the end of the current peace process" and other means would have to be found.

Hor Namhong Urges 'More Understanding'

BK0406095491 Hong Kong AFP in English 0944 GMT 4 Jun 91

[Text] Jakarta, June 4 (AFP)—Cambodia's warring factions appeared stalemated again Tuesday despite concerted efforts by France and Indonesia to find common ground on the final day of talks on a UN peace plan.

Diplomatic sources said no agreement was reached on several hardline amendments proposed by the Phnom Penh government to the plan. Also at an impasse were efforts to name a chairman for the factions' Supreme National Council (SNC).

Hor Namhong, foreign minister of the Hanoi-backed Phnom Penh government, suggested the three-day meeting here had not produced sufficient progress to warrant an early reconvening of the Paris Conference on Cambodia (PCC).

"It's too soon to go to the (PCC) Coordinating Committee," he said of the body which prepares the PCC sessions. "We still need more understanding among SNC members."

But a member of the French delegation said, "France is stressing the risk that failure (of the talks) could lead to the end of the current peace process" and other means would have to be found.

The ousted Khmer Rouge regime took most of the blame from the other parties, with Phnom Penh, the two non-communist movements, and France criticising it for balking at proposals on the SNC leadership and an extended cease-fire.

PCC co-chairs France and Indonesia strove to tone down the proposals advanced by Phnom Penh Premier Hun Sen which included a tribunal to try Khmer Rouge leaders for genocide and measures to bar them from elections.

A member of the French delegation said the five-page document, a copy of which was obtained by AGENCE FRANCE-PRESSE, had been accepted by the two non-communist resistance factions but the Khmer Rouge made no response.

The "proposed improvements" to the Phnom Penh amendments replace direct references to Khmer Rouge genocide with the phrase "universally condemned policies and practices of the recent past."

The only mention of the word genocide in the co-chairmen's text was in connection with a pledge to respect the UN convention on the prevention and punishment of crimes of genocide.

Instead of Phnom Penh's call to bar from future elections any party that does not renounce genocide, the co-chairmen proposed making "those whose civil rights have been suspended by court order" ineligible to vote.

Deleted was a call by the Vietnamese-backed government for an international tribunal to try Khmer Rouge leaders for genocide in connection with the hundreds of thousands of deaths during their rule from 1975 to 1979.

Phnom Penh officials said they had accepted most of the co- chairmen's suggestions, but had made counterproposals on some. They also indicated they were ready to give some ground on the tribunal.

"It is perhaps necessary to wait for a favourable situation to do it," said Uch Kim An, minister without portfolio in Mr. Hun Sen's office. "We can't do it now but the principle must nevertheless be accepted."

The talks here centered on a plan drafted by the five permanent members of the UN Security Council and accepted by the four factions in December to put Cambodia under UN management pending elections.

Diplomats saw the Khmer Rouge becoming isolated on the question of the SNC, which has been bogged down by the leadership squabble since it was formed in September to embody Cambodian sovereignty during the transition.

Resistance leader Prince Norodom Sihanouk and Mr. Hun Sen announced Sunday a plan to expand the SNC from 12 to 14 members with the former monarch as chairman and the Phnom Penh leader as co-chairman.

The two non-communist factions have agreed, but Prince Sihanouk said the Khmer Rouge had balked at the plan, which would make him the seventh resistance member on the SNC with a seventh named by Phnom Penh to maintain parity.

The SNC currently includes two members from each of the three resistance factions and six representatives from Phnom Penh.

Alatas Closes Meeting; Cease-Fire To Continue

BK0406122291 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 4 Jun 91

[Text] The meeting of the Cambodian Supreme National Council [SNC] has not fully succeeded in bridging the fundamental differences on three major topics aimed at solving the Cambodian problem. However, Foreign Minister Ali Alatas said at a news conference after closing the meeting a few moments ago that the dialogues and consultations did succeed in narrowing differences of opinion on three major topics—namely, on the sovereignty of Cambodia, the military aspect, and efforts to prevent the return of the Pol Pot regime.

After the Jakarta meeting this time, the two cochairmen will find it easier to formulate new things in the efforts to further narrow existing differences of opinion. Minister Alatas also told reporters that the meeting was unable to pass the proposal initiated by Prince Sihanouk and Hun Sen on the issue of the posts of SNC chairman and vice chairman. The two cochairmen are still unable to decide when and where the next Cambodian talks will be held. One positive thing worth noting at the end of the meeting is the determination of each Cambodian faction to maintain the cease-fire.

Further on Close of Talks

BK0406122691 Hong Kong AFP in English 1221 GMT 4 Jun 91

[Text] Jakarta, June 4 (AFP)—Cambodia's warring factions wound up three days of talks Tuesday with no further progress towards resolving some of the major issues to end the 12-year old conflict.

Indonesian Foreign Minister Ali Alatas, who co-chaired the meeting, insisted that "substantive progress" was made in what he said were sometimes lively discussions in identifying unresolved issues and means of resolving them.

But, he added: "The progress was not so much as we had hoped for. It never is."

Mr. Alatas said one positive development was an agreement between resistance leader Prince Norodom Sihanouk and Phnom Penh Prime Minister Hun Sen on the leadership of the factions' Supreme National Council (SNC).

However, he said: "I personally would have hoped we would have been in a position to finalise those issues at the talks here. Unfortunately, time did not allow us to do so."

Prince Sihanouk has said that the ousted Khmer Rouge regime had rejected the proposal to expand the SNC from 12 to 14 members with himself as chairman and Mr. Hun Sen as vice-chairman. The two non-communist factions, which joined the Khmer Rouge in forming the resistance coalition, have agreed.

Diplomatic sources also said Tuesday that no agreement was reached here on a series of hardline amendments proposed by the Phnom Penh Government to a UN peace plan, including measures to hold the Khmer Rouge accountable for genocide during its four-year rule in the 1970s.

French Secretary of State for Foreign Affairs Alain Vivien, the other co-chair, said: "We end these three days with feelings of hope," but he added: "We should have no illusions, there remains a long way to go."

Mr. Alatas also expressed the hope for an extension of a ceasefire declared May 1. The Khmer Rouge had earlier threatened to call it off Wednesday if no progress was made here.

Japan

Semiconductor Talks Resume in Washington

OW0406033291 Tokyo KYODO in English 0131 GMT 4 Jun 91

[Text] Washington, June 3 KYODO—Senior Japanese and U.S. trade negotiators resumed semiconductor talks on Monday in a bid to conclude a new agreement to replace the present five-year pact.

Japanese and U.S. officials said the talks centered on the future status of 165 million dollars in U.S. sanctions against Japan, third country dumping, and a foreign share of at least 20 percent in the Japanese market.

A U.S. source said the two countries may reach agreement on the issue as early as Tuesday morning.

The sanctions are part of a 300 million dollar punitive action that the U.S. had taken against Japan in alleged violation of a 1986 semiconductor agreement which is to expire at the end of July.

A U.S. official said both sides are arguing over whether the remaining sanctions should be "suspended, canceled, or lifted" under a new pact.

The new agreement would be also vague in spelling out the U.S. desire to boost the share of foreign chips in the Japanese market to more than 20 percent.

Japanese statistics show that foreign semiconductor makers have already captured 19 percent of the Japanese chip market, while U.S. statistics put the figure at 13 percent. The difference arises because Japan counts the exports of U.S. firms to their subsidiaries in Japan, whereas the U.S. does not.

U.S. Trade Representative Carla Hills said at a news conference last week that the 20 percentage figure is "a benchmark" to demonstrate the level of access to the Japanese market.

Agreement 'Near'

OW0406082091 Tokyo KYODO in English 0750 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Japan and the United States are on the verge of reaching agreement on trade in semiconductors, a Foreign Ministry official said Tuesday.

"I really hope that I can make an announcement today," ministry spokesman Taizo Watanabe told reporters.

The NEW YORK TIMES reported in its Tuesday editions that Japan and the United States have agreed to extend their bilateral chip accord for at least three years. The agreement, signed in 1986, expires July 31.

The newspaper said the agreement was to be signed later Tuesday if Tokyo approved the pact.

According to the paper, the agreement suspends 155 million dollars in sanctions against Japanese electronics products and specifies a 20 percent share of the Japanese chip market for the U.S.

The figure will be used as a benchmark, not as a basis for further sanctions, the paper said.

The new pact, resulting partly from negotiations late last week in Tokyo between senior U.S. Commerce Department officials and their Japanese counterparts, is certain to be approved, the times said.

Japanese and U.S. trade negotiators resumed their talks in Washington on Monday.

The Americans had originally pushed for another five-year agreement but Japan had balked at any extension.

The two sides agreed to a three-year agreement with an optional two-year renewal, according to the TIMES.

Minister To Reject U.S. Call for Rice Tariffs

OW0406112691 Tokyo KYODO in English 1118 GMT 4 Jun 91

[Text] Bonn, June 4 KYODO—Japan's agriculture minister said Tuesday that he will reject any call for replacing Tokyo's current ban on rice imports with tariffs when he meets U.S. Agriculture Secretary Edward Madigan in Denmark Wednesday.

Motoji Kondo, minister of agriculture, forestry and fisheries, told reporters accompanying him on his European trip that he foresees no progress in the Uruguay Round of global trade talks under the General Agreement on Tariffs and Trade (GATT) if the United States sticks to its approach for liberalizing farm trade.

Washington has been pressing for a plan that would replace all kinds of domestic import restrictions on farm products by tariffs, which could be progressively reduced in the future.

Kondo described the U.S. idea as unrealistic and noted that it will be a major focus at talks between himself and Madigan. Kondo and Madigan are to visit Denmark for an international conference on agriculture.

Agriculture is one of the 15 topics covered by the GATT-sponsored trade negotiations, which have stalled chiefly over how to reduce agricultural subsidies.

Kondo also said he will take up how far the United States itself is prepared to make concessions on its so-called waiver clause, which restricts imports of 14 agriculture products to protect U.S. farmers.

He did not elaborate on the issue. However, the waiver clause has been criticized by Japan and the European Community for running counter to the liberalization of agriculture trade.

Executives' Chairman Urges Rice Liberalization

OW0406083391 Tokyo KYODO in English 0743 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Masaru Hayami, chairman of the Japan Association of Corporate Executives (Keizai Doyukai), on Tuesday called for the opening of Japan's rice market to protect free trade.

Hayami told reporters if the Uruguay Round multilateral trade negotiations broke down, Japan would be affected by a reduction in world trade.

In negotiations, he said Japan should "play the rice card" while watching Western moves.

But Japan could withdraw the offer if Western nations fail to open their farm produce markets, Hayami said.

His comments follow growing calls for caution in the ruling Liberal Democratic Party on the rice market issue.

Takeshita Comments on Peacekeeping Participation

OW0206133491 Tokyo KYODO in English 1055 GMT 2 Jun 91

[Text] Kamisu, Ibaraki Pref., June 2 KYODO—Former Prime Minister Noboru Takeshita said Sunday it will be difficult for Japan to participate in United Nations peacekeeping forces because of constitutional restraints.

"There is naturally a limit (for Japan) to participation in U.N. peacekeeping forces," he said in a lecture in Kamisu, Ibaraki Prefecture.

Takeshita, who heads the largest faction in the ruling Liberal Democratic Party, said Japan's Constitution allows military force for defense only and that Japan can dispatch Self-Defense Forces personnel overseas only for disaster relief, medical treatment, and monitoring elections.

There is also a limit for Japanese participation in teams supervising truces because those who go to dangerous places to supervise truces are military personnel, he said.

Takeshita said Japan's participation in truce-monitoring teams would be limited to logistic support.

He also called for Japan's more positive role in economic cooperation as Japan's international responsibility.

Defense Agency Firms Up SDF Policy

OW0206141791 Tokyo NHK General Television Network in Japanese 1000 GMT 2 Jun 91

[Text] Regarding the question of utilizing the Self-Defense Force [SDF] in the UN peacekeeping operations—a topic of concern recently—the Defense Agency has firmed up its policy to seek a revision of the Self-Defense Force Law so that the SDF may be allowed to participate in the United Nations' peace surveillance functions without an accompanying use of force. The agency at the same time will, as a way of ensuring civilian control over the matter, make it a legal requirement that the agency obtains approval of the Diet ex post facto.

In connection with Japan's participation in UN peacekeeping operations, there is now a review being carried out within the government, centering around whether to employ the SDF for this purpose. In the course of the review, the Defense Agency has determined that the SDF's participation in the peacekeeping force, which involves the use of force to prevent a recurrence of conflicts, can be in conflict with the Constitution that bans Japan's exercise of force overseas.

Even regarding cooperation in logistical support—another form of possible cooperation which has been studied by the government—the agency is leaning toward abandoning that alternative. The agency is afraid that there is a possibility that people will get involved in combat while performing supply transport missions. On the other hand, the agency believes that active duty SDF members who have up-to-date military knowledge and have good training should be allowed to participate in peace surveillance missions, which are security missions carried out after a ceasefire has taken effect.

The agency has decided that it should ask the SDF Law to be revised in such a way as to enable SDF members to participate in surveillance activities without taking the step of changing their status into some other capacity, as they do now when they are assinged to the Foreign Ministry.

In addition, the agency has decided to study instituting legal requirements to obtain the approval of the Diet ex post facto about such participation, as a way of ensuring that the civilian control is maintained. Such approval is at present required when the prime minister orders a security mission carried out by the SDF.

The Defense Agency will present this policy for review by the government soon. As a result of the agency firming up the new policy, which includes a measure of civilian control by the Diet, debates by the people—including those of the opposition group—over peacekeeping operations are expected to become even more active.

Secretary Denies Neglecting PRC Dissidents

OW0406050091 Tokyo KYODO in English 0359 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Chief Cabinet Secretary Misoji Sakamoto denied allegations Tuesday that Japan is neglecting a pledge made at the 1989 Paris economic summit to offer protection to Chinese dissidents here.

"I don't think the Justice Ministry is taking a particularly tough stance" toward Chinese dissidents, Sakamoto told a regular news conference.

Tuesday marked the second anniversary of China's military crackdown on massive prodemocracy demonstrations in Beijing's Tiananmen Square.

In the two years since, Japan has extended the visa of only one applicant who said he feared persecution if he returned to China.

The Justice Ministry has repeatedly refused to make public how many other Chinese activists have applied to extend their stay.

The Japan branch of the Federation for Democracy in China (FDC) says that 44 of their members are awaiting decisions on visa applications, some of which were filed over a year ago.

In addition, Japan has ordered at least six Chinese dissidents to leave Japan, according to lawyers and civic groups who are supporting the activists.

Among those ordered deported is Zhao Nan, chairman of the FDC Japan branch and an internationally known dissident who was previously imprisoned in China for his pro-democracy activities.

Japan along with six other major industrial democracies pledged at the 1989 Paris summit to offer refuge to Chinese dissidents who fear persecution if forced to return home.

Civic groups allege that the government is reluctant to make special allowances for the dissidents because it is wary of upsetting Beijing.

Sakamoto said that he believed the review process was taking time because each case must be examined individually.

LDP Secretary General Leaves for South Korea

OW0406024991 Tokyo KYODO in English 0119 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Liberal Democratic Party (LDP) Secretary General Keizo Obuchi left Tuesday for Seoul for talks with South Korean leaders.

During a five-day stay in South Korea, Obuchi will meet President No Tae-u, ruling party coleader Kim Yong-sam, and opposition leader Kim Tae-chung.

Obuchi, who assumed the No. 2 post of Japan's governing party in April, will be a guest of the South Korea-Japan Parliamentarians' League.

Tokyo To Crack Down on Taiwan Salmon Imports

OW0106114891 Tokyo KYODO in English 0950 GMT 1 Jun 91

[Text] Tokyo, June 1 KYODO—Japan is to crack down on salmon imports from Taiwan allegedly falsely labeled as originating in China, government officials said Saturday.

Regulations will be tightened following complaints from Japanese importers of salmon mainly from the United States and Canada that Taiwanese fishing boats are catching salmon in the north Pacific in violation of international accords, they said.

Salmon importers will be requested to file documents on where the fish were caught and the fishing methods used with the Ministry of International Trade and Industry (MITI) to get government permission for the imports, the officials said.

Tighter steps on salmon imports from Taiwan, which usually have certificates issued by local authorities in China stating that the salmon are of Chinese origin, will result into a virtual ban on Chinese salmon imports, which skyrocketed to 2,580 tons in 1990 from 180 tons in 1989.

China has only a few salmon fishing boats, according to fishing industry sources.

Spanish Prime Minister Arrives for 5-Day Visit

OW0106072091 Tokyo KYODO in English 0601 GMT 1 Jun 91

[Text] Tokyo, June 1 KYODO—Spanish Prime Minister Felipe Gonzalez Marquez arrived in Tokyo on Saturday for a five-day visit to Japan to meet Japanese leaders.

Gonzalez, here for the first time since 1985, will meet Prime Minister Toshiki Kaifu on Monday to discuss the Middle East situation after the Persian Gulf war, European integration, and other issues, Japanese officials said.

Gonzalez will also meet Finance Minister Ryutaro Hashimoto, Social Democratic Party (SDP) Chairwoman Takako Doi, and business leaders before leaving Tokyo on Wednesday, the officials said.

Meets With Takeshita

LD0306093991 Madrid RNE-1 Radio Network in Spanish 0700 GMT 3 Jun 91

[Text] About now, the prime minister is meeting Japanese Prime Minister Toshiki Kaifu in Tokyo. Earlier, Felipe Gonzalez met representatives of Japanese economic circles and several political figures, who expressed their interest in investing in Spain. Good morning Antonio Peiro, special correspondent in Tokyo.

[Peiro] Good morning. Perhaps the most novel or surprising thing in this first part of the first day has been the assessment of Spain given by the former Japanese prime minister, Noboru Takeshita, during his meeting with Felipe Gonzalez. According to the summary produced by the Spanish delegation, Takeshita assessed the favorable evolution of the Spanish economy as being due to the stability of government action and, more surprisingly—coming from a nation which lives by work—Takeshita praised Spanish industriousness. The former Japanese prime minister, a member of the same party that has been governing Japan for nearly 50 years, also said that Spain is one of the European countries which best understands Japan: Fine words, undoubtedly, which will have to be supported with figures.

Meets Kaifu

OW0306151391 Tokyo KYODO in English 1141 GMT 3 Jun 91

[Text] Tokyo, June 3 KYODO—Japan should correct its persistently big trade surplus with Spain, Spanish Prime Minister Felipe Gonzalez said Monday, Foreign Ministry officials reported.

Gonzalez, who arrived in Tokyo Saturday for a five-day official visit, also called for increased Japanese investment in Spain in his 90 minutes of talks with Prime Minister Toshiki Kaifu.

Officials quoted Gonzalez as saying that a boost in Japanese investment in Spain would help correct the two countries' trade imbalance.

He also expressed hope that Japan would import Spanish lemons once the two countries agree on a suitable procedure for in-transit, on-board inspections.

Two-way trade in 1990 totaled 2.9 billion dollars, with the trade balance in Japan's favor by 1.2 billion dollars. The Japanese surplus, however, was down 6.2 percent from the 1989 figure of 1.5 billion dollars.

Officials said Kaifu noted that Japan has sent experts to Spain to advise it on attracting Japanese investment and increasing exports.

Kaifu pointed out that Japanese investment in Spain has increased in recent years, although there exists ample room for expansion, officials said.

He said Spain should work to create an environment conducive to Japanese investment, such as removing all discriminatory quantitative restrictions on Japanese goods.

Spain currently maintains 16 restrictions on Japanese products, including automobiles and industrial equipment. In talks between the two countries' foreign ministers last September, Spain promised to end them by the end of 1992, when the European Community completes its market integration.

Gonzalez and Kaifu also discussed Spain's desire to have more Japanese tourists visit the country. Kaifu said he was sure they would rise because Spain is the host of next year's Olympic games.

Officials said Gonzalez pointed out he has twice visited Japan, so Spain would like to have a visit by a Japanese prime minister.

Gonzalez came to Japan on an official visit in September 1985. He also came in 1978 as a deputy chief of the Socialist International.

Gonzalez met earlier in the day with former Prime Minister Noboru Takeshita, Liberal Democratic Party Secretary General Keizo Obuchi, and an official of the Federation of Economic Organizations.

He is scheduled to have an audience with Emperor Akihito and to meet Finance Minister Ryutaro Hashimoto and Social Democratic Party Chairwoman Takako Doi before leaving Tokyo Wednesday.

Remarks on Trade, Investment

LD0306164791 Madrid RNE-1 Radio Network in Spanish 1200 GMT 3 Jun 91

[Excerpts] Right now, Prime Minister Felipe Gonzalez and his wife, Carmen Romero, are the guests of Prime Minister Kaifu who is hosting a dinner for them. This is the final event of this, the first day of the official visit which our special correspondent Antonio Peiro is covering.

[Peiro] Good afternoon. At present we are in the realm of fine words in the face of the problems pending between Spain and the world's number three economic power, after the United States and Germany. The problems, or rather questions pending, are greater equilibrium in the trade balance, which is favorable for Japanese exports by a considerable amount, and a big improvement in Japanese investment in our country. Fine words in the 90-minute meeting between Felipe Gonzalez and Japanese Prime Minister Toshiki Kaifu, who acknowledged that since Gonzalez's previous visit in 1985 relations between the two countries have deepened, although he admitted that a greater effort might be made. For his part Felipe Gonzalez assured him that Spain is a good place to invest after the period of five years of opening up and liberalization of the Spanish economy. Undoubtedly, we will learn more details in the hours to come from Ministers Rosa Conde [spokeswoman] and Claudio Aranzadi [minister of industry, trade, and tourism]. [passage omitted]

But we remain in the realm of fine words, as in the case of Felipe Gonzalez's luncheon with the most prominent representatives of the associations of industry, trade, banking, and business in general, who must be convinced that Japanese investment in our country is worthwhile.

[Begin Gonzalez recording] We will try to stimulate investment and naturally stimulate technology transfers. Spain is the Community country with as yet the least volume of Japanese investment. And that investment has been picking up recently; we began not long ago, perhaps late, but I believe that it is necessary to try to promote the developments of that investment. [end recording]

[Peiro] Prime Minister Gonzalez had a separate meeting with the president of the Nissan company. And right now, without speeches, the Japanese prime minister is hosting a dinner for Felipe Gonzalez and Carmen Romero at the Akasaka Palace.

Meets With SDP's Doi

OW0406080791 Tokyo KYODO in English 0620 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Social Democratic Party (SDP) Chairwoman Takako Doi and Spanish Prime Minister Felipe Gonzalez agreed Tuesday their parties would jointly promote disarmament internationally, an SDP official said.

Doi and Gonzalez made the agreement during a one-hour meeting at the Spanish Embassy in Tokyo.

The SDP leader said the United Nations should play a greater role in establishing effective ways to promote disarmament, according to the official.

Gonzalez, who has led his ruling Socialist Labor Party (PSOS) since 1979, was quoted as replying that Spain and his party will do its utmost to boost international disarmament despite the great difficulties in achieving it.

Doi touched on ways to prevent international disputes, saying rules should be made to ban the exports of military weapons to warlike countries and organizations.

She also said it is necessary to stop extending economic assistance to countries with excessive military expenditure.

But Gonzalez said he was pessimistic about prohibiting the export of conventional weapons to such countries, instead calling for nations to sign a treaty banning nuclear and other mass destruction weapons.

Later, Emperor Akihito and Empress Michiko held a luncheon for Gonzalez at the Imperial Palace. Crown Prince Naruhito was also present.

The Spanish prime minister arrived in Tokyo on June 1 for a five- day visit. He will leave for Spain on Wednesday after meeting Prime Minister Toshiki Kaifu and other Japanese political and economic leaders.

Jamaican Prime Minister Manley Visits

Remarks on Debt

OW0106121491 Tokyo KYODO in English 1111 GMT 1 Jun 91

[Text] Tokyo, June 1 KYODO—Jamaican Prime Minister Michael Manley said here Friday that debt forgiveness for former communist countries like Poland should be equally available to countries that have traditionally been democracies and practitioners of free market economics.

"Obviously, what has been done with Poland is because it has moved out of the communist camp into the market economy camp, and into the camp of democracy," Manley said in an interview with KYODO NEWS SERVICE.

"There are others of us who look at that with a certain sadness, because we have always been in the camp of democracy and there are apparently no rewards," he said.

Manley arrived in Japan on Wednesday for a five-day stay on the first leg of a journey which will also take him to China and Britain. He has been Jamaica's leader for a total of 10 years, once from 1972 to 1980, and was reelected in 1989.

The Paris Club of creditor nations agreed last March to forgive a third of what Poland owed them and promised to make it half in four years if Poland meets certain conditions.

The United States proposed the special concessions to facilitate Poland's transition from Soviet-type socialism to Western-style capitalism.

Egypt, meanwhile, has also been a massive beneficiary of debt forgiveness as a reward for its supportive stance in the Persian Gulf war.

The liberal debt forgiveness offers have stirred resentment in the Latin America and Caribbean countries, which are reported to owe more than 420 billion dollars.

Manley said Jamaica will not ask for "total forgiveness" when it approaches the Paris Club later this year, but rather for "much more substantial debt rescheduling than has been available in the past." "We have not finally settled our exact strategy as of yet."

Jamaica, with a population of 2.4 million people, has a foreign debt of over 4 billion dollars, which works out per capita to 1,650 dollars.

Despite the gloom of the debt quagmire, Manley noted that there is a number of positive trends have recently emerged.

Two years ago, the prime minister said, Jamaica was spending 50 percent of its export earnings for debt servicing. "We've now got that down below 30 (percent)."

Furthermore, Canada's unilateral decision to forgive all the bilateral debt owed it by Caribbean nations was a significant step in the right direction, he said.

U.S. President George Bush's "very imaginative" proposal for an Enterprise for the Americas Initiative, which envisions partial debt forgiveness for Caribbean nations, has been given the go-ahead by the U.S. Congress, he noted.

For countries qualifying as beneficiaries under the initiative, the U.S. Government will write off at least half of the bilateral debt owed it, and possibly more. Jamaica owes Washington some 840 million dollars.

Manley noted that Bush's initiative came partly in response to arguments that the so-called Brady Plan for Third World debt relief does not particularly benefit countries like Jamaica, where 90 percent of the debt is owed to foreign governments on a bilateral basis or to multilateral financial institutions like the International Monetary Fund (IMF) or the World Bank.

The Brady Plan, put forth by U.S. Treasury Secretary Nicholas Brady and implemented so far in the Philippines, Mexico, Costa Rica, and Venezuela, aims only to reduce private commercial debt.

But Manley said the plan was nonetheless a "philosophical breakthrough" as it was the first time a U.S. Administration accepted the principle of debt forgiveness.

Leaves for Beijing

OW0206125191 Tokyo KYODO in English 0835 GMT 2 Jun 91

[Text] Tokyo, June 2 KYODO—Jamaican Prime Minister Michael Manley left Tokyo for Beijing on Sunday after a five-day visit to Japan.

While in Japan, Manley met Prime Minister Toshiki Kaifu and other Japanese political and economic leaders.

In their talks on Friday, Kaifu told Manley that Japan will grant 8.6 billion yen in loans to Jamaica to help improve its infrastructure and bolster its tourist industry.

Tokyo To Extend Additional $150 Million to India

OW0406065091 Tokyo NHK General Television Network in Japanese 1000 GMT 2 Jun 91

[Text] The government has decided to extend $150 million in loans in addition to $150 million provided previously by the government to India that is suffering from finacial crisis and political turmoil. India is facing a financial crisis because of the suspension of remittances from Indian laborers in the Middle East following the outbreak of the Gulf war and stagnant trade achievements.

Japan, the United States, and other industrial nations have decided to extend more than $1 billion in financial aid to

India in cooperation with the Asian Development Bank. Japan, in compliance with the decision, extended $150 million in emergency commodity loans to India in May. However, the assassination of former Prime Minister Rajiv Gandhi triggered political turmoil in India, and India is feared to be facing a more serious financial crisis. Therefore, the government has decided to provide an additional $150 million in loans this autumn.

Regarding financial aid, if India works out an economic restructuring plan in compliance with the request from the International Monetary Fund [IMF], the IMF and the World Bank are due to provide full financial aid to that country. There are growing demands among industrial nations that Japan, as one of Asian nations, should provide more financial aid to India. Hence, Japan is expected to be nudged by industrial nations for more financial aid to India.

Minister on Need for Pre-London Summit Meeting

OW0406050391 Tokyo KYODO in English 0405 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—Japanese Finance Minister Ryutaro Hashimoto reiterated Tuesday the necessity of holding a meeting of top financial officials of the Group of Seven (G-7) industrialized nations before the London summit in mid-July.

He said he has been calling for holding the meeting before the summit in order to discuss issues such as global interest rates and financial aid to the Soviet Union.

The meeting should be held by early July at the latest and Japan is now contacting other countries about this, Hashimoto said.

In Washington, a U.S. Treasury spokeswoman declined to comment on the issue.

Concerning a plan for stepping up Japan's international assistance, proposed in Paris on Sunday by Foreign Minister Taro Nakayama, Hashimoto said he opposed the idea of starting off with arguments such as measuring Japan's Official Development Assistance (ODA) by its ratio to the nation's Gross National Product (GNP), and introducing new taxes.

Contributions ought to be considered on a case by case basis to select the most effective ways, and not by "accumulating figures" after setting a goal, Hashimoto said.

Nakayama proposed raising the ratio of Japan's ODA to GNP to 1 percent in five years. Japan's ODA is currently equivalent to 0.32 percent of the GNP.

He also said it might be necessary to introduce a new "international contribution" tax or raise the rate of the consumption tax, now 3 percent, for that purpose.

Hashimoto: Cheaper Land Unlikely To Hurt Banks

OW0306092891 Tokyo KYODO in English 0718 GMT 3 Jun 91

[Text] Osaka, June 3 KYODO—Finance Minister Ryutaro Hashimoto on Monday shrugged off worries that cooling land prices will erode the strength of Japan's banking sector and said the banks' exposure to property transactions, estimated about 10 percent of their total loans, is "not so high."

"I believe a fall in land prices will not give rise to much concern in the management of banks in the near future," he told the 38th annual meeting of the International Monetary Conference (IMC).

The Bank of Japan's (BOJ) tight credit stance and the government's yearlong curb on property-related loans have combined to visibly bring down Japan's astronomical land prices.

A recent report found land prices in the country's big cities took their first negative turn in 16 years, declining 2 percent in the six months to the end of March.

Hashimoto said cheaper property will be beneficial to the Japanese economy in the middle term, considering the fact the absurdly high land prices have been responsible for the nation's crumbling housing conditions and poor infrastructure.

Earlier in the day, the finance minister told reporters he is still "not optimistic" about land prices despite signs of downward pressure on the market, which inflated in the heady years of the 1980s.

At a lunch reception on the first day of the three-day meeting, Hashimoto also reiterated his idea to make more use of the special drawing rights (SDR's) of the International Monetary Fund (IMF) to alleviate the worldwide capital shortage.

"I believe that we might study and pursue the possibility to make an allocation of SDR's and to enable the IMF to mobilize new SDR's," he told the gathering, the second held in Japan, following a 1977 meeting in Tokyo.

He first put forward the idea at the IMF's spring meeting in late April in response to mounting demand for capital from the war-torn Middle East nations, the emerging economies in Eastern Europe and the Soviet Union as well as [word indistinct] Latin America.

Under his proposal, a stop-gap measure intended to bridge the supply-demand in worldwide capital until global savings are sufficiently increased, all IMC member nations would be allocated new SDR's.

Industrial nations would relend their SDR's back to the IMF, which in turn would use them to help poor nations considered serious about their economic reforms, while developing countries would keep their allocations. One SDR is equivalent to 1.33 dollars.

Proposals for Financial System Overhaul Endorsed

OW0406090191 Tokyo KYODO in English 0802 GMT 4 Jun 91

[Text] Tokyo, June 4 KYODO—A Ministry of Finance advisory panel Tuesday formally endorsed recommendations aimed at overhauling the nation's financial system.

If implemented by the ministry, banks and securities companies will be allowed to expand into each others' business preserves through subsidiaries and regulations segmenting the banking sector will be relaxed.

The recommendations, contained in a final report drafted by the financial system research council's special subpanel after roughly six years of discussion, will serve as the basis on which the ministry will carry out a sweeping overhaul of the financial system in 1993.

The report proposes banks of any type and securities firms be allowed to form subsidiaries in each others' fields, saying, "it is appropriate to enable different financial institutions to enter a wide range of each others' businesses."

But by requiring such diversification be accomplished through subsidiaries, the report stops short of endorsing universal banking, a system already in practice in Europe that allows banks to do all the functions of securities companies directly.

That system could undermine the financial soundness of banks and lead to conflicts of interest, the report indicated.

Ryuichiro Tachi, who chaired the subpanel, told a press conference that the report provides "a future vision" for Japan to bear its responsibility as a financial power.

"There were mountains and valleys during these six years," said Tachi in reference to difficulties his panel faced in balancing various interests as it compiled the report.

"I hope (the proposals) will be realized without forgetting the starting point of reform, which is to achieve equal opportunities and fairness," Tachi added.

With regard to banks' subsidiaries, the report recommends they be forbidden for a certain period from engaging in stock broking, the main source of earnings at securities companies, in accordance with a report presented earlier by another Finance Ministry panel, the Securities and Exchange Council.

"There is no choice but to exclude subsidiaries in the securities field from stock broking for a while," it says, reflecting strong opposition from the securities industry leery of the advantage banks would enjoy due to their access to detailed information from their corporate borrowers.

In considering restructuring the highly segmented banking system, the report calls for existing laws to be revised to make it possible for the long-term credit banks and the Bank of Tokyo, the only banks that specialize in foreign exchange, to become ordinary banks or to merge with others.

At present, the banking sector is spilt into 11 commercial banks, the so-called "city banks" that operate nationwide, three long- term credit banks, seven trust banks, one that specializes in foreign exchange, 64 main regional banks, 66 smaller regional banks or "second" regional banks, and other smaller institutions such as credit associations.

Among other proposals are:

—allowing securities subsidiaries formed by those other than banks to undertake all the banking service.

—allowing subsidiaries formed by those other than trust banks to engage in all the trust banking business except offering loan trusts, handling money in trusts that include pension funds, and real estate-related business now undertaken by trust banks.

—easing regulations on privately placed bonds and securitized assets in order to nurture the market for such instruments, including allowing banks to underwrite them.

Reviewing the current regulations on financial products, the report makes several recommendations. Among them are:

—allowing banks to accept time deposits of over three years.

—introducing variable rates on deposits in response to diversification in ways of raising funds.

—allowing long-term credit banks to issue coupon bonds with various maturities.

—allowing trust banks to offer trust products such as those with a maturity of less than one year and money trusts with expected yields tied to returns on investment.

—diversifying maturities of corporate bonds and introducing those with variable coupons.

On Tuesday, the financial system research council also received a report from its working group studying ways of having banks meet new capital requirements set by the Bank for International Settlements (BIS).

The group's report suggests that banks be allowed to issue Subordinated Convertible Bonds [CBS], a kind of CBS redeemable only after senior debts are repaid in the case of business failure.

Such CBS are counted as capital under the BIS rules, which require Japanese banks doing business internationally to have capital equivalent to 8 percent of PSK-weighted assets by March 1993.

It also proposes reviewing existing rules regarding offerings of bank claims on ordinary loans to help make such assets more liquid so that banks can lighten relatively riskly assets to meet the BIS requirements.

The Finance Ministry gave the greenlight for banks to sell such claims in March 1990 but only to financial institutions. Since then such bank claims sold have grown steadily to 953.7 billion yen at the end of March this year from 398.0 billion yen at the end of September last year.

But the portion of such sold claims in outstanding bank claims on ordinary loans was only 0.3 percent at the end of March this year.

Kaifu Addresses 3 Jun Meeting on Reform

OW0406064291 Tokyo NHK General Television Network in Japanese 1000 GMT 3 Jun 91

[Text] Speaking at a meeting of leaders of the government and ruling Liberal Democratic Party [LDP] this afternoon on political reform, which is the present focal point of the political scene, Prime Minister Kaifu said that he would like to draw up political reform-related bills before the end of this month if possible, and requested the cooperation of those present at the meeting.

Speaking on the political reform bills, primarily the introduction of small constituencies together with proportional representation for the House of Representative, at the meeting of government and ruling party leaders held in the prime minister's official residence today, Prime Minister Kaifu said he wants the plan for dividing electoral districts into small contituencies for Lower House elections to be deliberated at the meeting of the government's Election System Investigation Council scheduled for 6 June and would like to receive the council's recommendations before 27 June, when the term of office of council members end. Furthermore, he stressed that he would like to draw up political reform-related bills before the end of the month if possible, and requested the cooperation of the government and the LDP.

In this connection, Secretary General Obuchi said that he would like to start discussions with the opposition parties on convening an extraordinary Diet session for political reform-related and other bills immediately. He said that he intends to hold a meeting of the ruling and opposition parties' chairmen of the Diet policy committee on 6 June, and a meeting of secretaries general next week.

Secretary General Obuchi also said that the people's understanding is indispensable for implementing political reforms. He asked that Prime Minister Kaifu conduct a speech tour all over the country. Prime Minister Kaifu agreed, and details of the tour will be discussed in the government and the LDP.

Kaifu Urges Business Leaders To Support Reform

OW0406020191 Tokyo NHK General Television Network in Japanese 0300 GMT 3 Jun 91

[Text] Prime Minister Toshiki Kaifu attended a meeting of business leaders held at a Tokyo hotel this morning, and stated his intention to work out a plan for political reform centered around the introduction of a combined electoral system of single-seat and proportional representation constituencies for the House of Representatives by the end of this month.

The meeting was sponsored by the Jiyu-shakai Kenkyu Kai [Society for Study of Free World] which is composed of business leaders and politicians from the Liberal Democratic Party [LDP]. Among those participants from the political circles were Kiichi Miyazawa, former deputy prime minister, and Michio Watanabe, former chairman of the LDP's policy affairs research council.

Touching on political reform, which has become the focal issue in the current political situation, Prime Minister Kaifu stated: Last week, the LDP officially adopted an outline for a political reform bill. In this connection, it has been decided that a request will be submitted to the government's Electoral System Committee on 6 June for working out the single-seat constituency allocation plan. We hope that the drafting of the bill will be completed by the end of this month in some way. Thus, he indicated his intention to work out the draft bill for political reform by the end of this month.

Moreover, touching on Japan's cooperation in promoting the PKO, peacekeeping operations, Prime Minister Kaifu stated that if peace could be achieved in Cambodia, Japan would also like to join in the efforts to bring about peace. Thus, he disclosed the government's plan to work out measures for Japan's contributions concerning the PKO issue.

JCP Opposes Diet Session for Political Reform

OW0406040591 Tokyo NHK General Television Network in Japanese 1000 GMT 3 Jun 91

[Text] Secretary General Shii of the Japan Communist Party [JCP] held a news conference at the Diet building today and stressed the JCP's strong opposition to the convening of an extraordinary Diet session to introduce a small constituency system together with proportional representation for the House Representatives.

Reform Council Chairman Meets Obuchi

OW0406020391 Tokyo NHK General Television Network in Japanese 0300 GMT 3 Jun 91

[Text] Chairman Suzuki of the government's Extraordinary Administrative Reform Promotion Council [EARPC] held talks with General Secretary Obuchi of the Liberal Democratic Party [LDP] this morning, and requested that political reform be promoted.

Chairman Suzuki, in the meeting that lasted approximately 20 minutes at the LDP Headquarters, stated that political and administrative reforms constitute two faces of a coin. He expressed his wishes that the LDP promote political reform based on the outline for political reform adopted by the party last week, and requested that the LDP do its best to promote political reform. In response, General Secretary Obuchi stated his intention to do his best.

Moreover, Chairman Suzuki reported that the EARPC plans to work on the outline of its interim report from mid-June till early July. In response, while stating his wishes that the EARPC work out recommendations on individual issues, General Secretary Obuchi requested that the EARPC stop doing things to impair the revitalization of central government agencies in connection with the transferring of authorities from central to local governments.

The EARPC plans to work out recommendations in its interim report on such issues as the transfer of authorities from central to local governments; the policy of promoting self-dependence in agriculture; and concepts on Japan's diplomacy. Therefore, it is observed that in making such remarks, General Secretary Obuchi has indicated the party's concerns on the issue connected with the transfer of authorities from central to local governments.

North Korea

'Text' of Kim Il-song Interview With KYODO

SK0406092691 Pyongyang KCNA in English
0509 GMT 4 Jun 91

[Text] Pyongyang June 4 (KCNA)—The great leader President Kim Il-song gave answers to the questions raised by President of the KYODO News Service of Japan Shinji Saka on June 1,1991.

Follows the full text of the answer:

I would like to bid a hearty welcome to you, Mr. President of the KYODO News Service of Japan, and your delegation to our country.

I am pleased to make your acquaintance. It is a good thing that our friends from Japan pay frequent visits to our country. Frequent visits between the friends of the two countries will contribute to improving Korea-Japan relations and to promoting friendship between the two peoples. I am grateful to Mr. Shin Kanemaru for his warm greetings to me. I am very glad to hear that he is in good health. During his visit to our country last year, I met him and discussed with him the matter of improving Korea-Japan relations and parted with him with good impressions. It still gives me pleasure to remember my meeting with him. I hope that on your return home you will convey my cordial greetings to him.

Now I shall answer your questions.

Question: Would you please tell us abut the tasks in the political and economic fields in your country and the prospects in these fields? Answer: The Workers' Party of Korea and the government of our Republic have been consistently maintaining the principles of political independence and economic self sufficiency. Independence is the lifeblood both of social man and of a country and nation. Socialist government in our country is aimed fundamentally at ensuring that internally the popular masses occupy the position of masters of the state and society and perform their role as such and that externally our country and nation exercises full sovereignty. Therefore, our political effort is directed to implementing socialist democracy thoroughly so that all the people participate in the administration of the state and society like masters and so that everyone equitably enjoys all the wealth of society and all the results of creative labour. Also we are opposed to imperialism and dominationism, safeguard the sovereignty of the country, and are developing friendly and cooperative relations with many counties in accordance with the ideals of independence, peace and friendship.

Our government is government by the popular masses themselves, and it is based on the chuche idea which is anthropocentric political philosophy. All the lines and policies of our party and our state are the application of the chuche idea, and the popular masses who are equipped with the chuche idea have accepted them as their vital requirements and are implementing them by displaying creative enthusiasm and devotion.

Independent government needs material guarantee provided by an independent economy. By implementing the principle of self- sufficiency in economic construction, we have built an economy capable of standing on its own feet, not being subordinated to or depending on others, a socialist independent national economy that serves our people. The independent national economy which our people have constructed in the most difficult conditions and situation in the spirit of self-reliance and fortitude constitutes a strong foundation for the independent development of our fatherland and for our people's happy socialist life. When the current Third Seven-Year Plan is carried out our independent national economy will become more powerful, the material and cultural standards of our people will rise to a higher level, and our country will rank among developed countries.

We will, in future too, develop socialist democracy to the full and strengthen the might of the independent national economy on the principles of independence in politics and self-sufficiency in the economy. Firmly convinced of the justice and victory of their cause, and advancing along the path indicated by the chuhe idea, united solidly behind the party and the government, our people will accomplish the cause of socialism.

You say that, on this visit 18 years after our last visit, you have found a great deal of change in the appearance of Pyongyang. I think you are right. There is a Korean saying that rivers and mountains change in ten years.

I think it natural that many changes have taken place in the 18-year period in our country where large-scale construction has been undertaken.

Our people are now on a grand construction march. Pyongyang is bursting with enthusiasm for the construction of 50,000 flats. Even now there is no one in Pyongyang who has no house of his own, but the project for the 50,000 flats has been carried out, the people in the city will live happily in the flats with greater modern amenities. We have set the target of housing construction for 0,200,000 [as received] to 1,500,000 families during the Third Seven-Year Plan. In order to fulfil this task, we must build houses approximately for 200,000 families every year. Housing and industrial construction is being undertaken on a large scale in all parts of the country.

Today under the slogan, "When the party is determined, we can do anything" our people are working in single-hearted unity and in support of the party's leadership. I think this is a very good thing.

Question: Please tell us about the problems that must be solved for improvement in the relations between Japan and Korea.

Answer: The matter of improving the relations between Korea and Japan boils down, in essence, to the question of redressing the wrongs done in their past relations, and of developing new good-neighbourly relations between them to meet the interests of the two peoples and the requirements of the times.

In order to redress the past wrongs, it is more important than anything else to repent of the past properly. Japan committed aggression against our country in the past and our country suffered Japan's aggression. Japan's sincere repentance of her past wrongdoing is needed for the good of herself rather than for others. Japan must give deep thought to which is in her interests, to repent of her past and improve her relations with our country or to maintain the abnormal relations that now exist between them, because they knew clearly that to improve Korea-Japan relations would meet the interests of the Japanese people and the requirements of the times, the far-sighted statesmen in Japan took an active part in the work of improving Korea-Japan relations. As a result, the joint declaration of the Workers' Party of Korea, the Liberal Democratic Party of Japan and the Social Democratic Party of Japan was published.

The question of improving Korea-Japan relations will not be settled successfully if it is affected by any foreign interference or by any wrong political motive. I think that, if both Korea and Japan discuss the question sincerely by maintaining a firm independent stand, the question of normalizing Korea-Japan relations will be settled satisfactorily in the spirit of the tripartite joint declaration.

The negotiations for normal relations between Korea and Japan have not yet made marked progress. Of course, there may be points of argument in the negotiations between strangers. But the matter of normalizing Korea-Japan relations represents the common desire of the two peoples and is aimed at putting the two countries on good terms. In the negotiations, therefore, it is preferable for both sides to say good things to meet the common desire and aim. Saying things that offend the ear of the other party to the negotiations or bringing up questions that have nothing to do with the major point will only result in delaying the negotiations. I think that, if both parties to the negotiations become more familiar with each other, they will understand each other and say many good things. If they make efforts and first settle the question of establishing normal state relations at the earliest date, and then proceed to the discussion of other problems one by one, they will be able to settle all the questions satisfactorily.

I am satisfied with the fact that Mr. Shin Kanemaru and Mr. Akoto Tanabe have been making a great deal of effort to improve Korea-Japan relations. I ask you to convey my cordial greetings to them on your return home.

You have asked me whether I have an intention of visiting Japan when normal Korea-Japan relations have been established. Yes, of course, what will be wrong with my meeting the Japanese people? I was opposed to Japanese imperialism; I have never been opposed to the Japanese people. I have always thought that the Korean and Japanese people should get along hand in hand with each other.

As for the question of Japanese women living in Korea visiting their home towns, such a question will be settled naturally if Korea-Japan relations are normalized.

Question: Please tell us about the way of actively promoting the North-South talks.

Answer: The basic stand and principled way of our party and the Government of the Republic for reunifying the country independently and peacefully are widely known. The aim of the North-South talks is to reunify the country. Therefore, the talk can be successful only when both parties to the talks make joint efforts with the attitude of reunifying the country. As the world is seeing, the South Korean authorities are now cruelly repressing progressive people, youth and students and other broad sections of the South Korean people who are struggling to reunify the county; they are creating artificial obstacles to the North-South talks by aggravating the situation intentionally and threatening us militarily. In such a situation the nation cannot find any justification in the talks, and such talks cannot produce good results.

In order to advance the North-South talks, we proposed the South side, firstly to release the people who have been arrested on a charge of having visited the North, secondly to discontinue the "Team Spirit" joint military exercises at least during the North- South high-level talks, and thirdly to settle through North-South discussions the question of entering the U.N. with a single seat. However, the South side accepted none of the three proposals. At the North-South high-level talks the South side stubbornly objected [to] the adoption of the non-aggression declaration between the North and the South, but only insisted on adopting an agreement on the basic North-South relations for reconciliation and cooperation. Accepting their proposal, we proposed incorporating the non-aggression declaration and the agreement on the basic relations into a single document for adoption. However, the South side objected even that it would be useless merely to adopt the basic agreement on the improvement of North-South relations from reconciliation and cooperation without removing the dagger from one's bosom.

We have no intention to break the North-South talk. We hold that the talks should be continued. The question depends on the South side. I think that the North-South talks will proceed at a good pace and achieve success if the South Korean authorities desist from obstructing national reunification and come to the talks working in concert with the broad sections of the force struggling for reunification in South Korea.

Question: Please tell us what you think are the common points and differences between the question of Korea's reunification and that of the reunification of East and West Germany.

Answer: I have not given deep thought to this matter. We are not against the reunification of East and West Germany.

U.S. President Bush gave cheers to the elimination of the Berlin Wall, but he does not even mention the existence of the concrete wall that divides the North and the South of Korea. The South Korean authorities have camouflaged the concrete wall and refuse to show it to the public. All this reveals their intention to keep Korea divided.

The existence of the concrete wall on the Southern side of the Military Demarcation Line cannot be concealed [words indistinct] Committee for the Reunification of Korea an international investigation commission on the existence of the concrete wall composed of prominent figures from many countries, came to our country, took photographs of the wall and showed them to the world. However, Japan and many European countries, afraid of the pressure of the United States did not give wide publicity to the wall. At present many people fear the Americans. I hope that Japan, an Asian country, will act independently. I believe that if Japan does so, she will be able to contribute to Asian prosperity and peace.

Question: Pease tell us about the question of U.N. membership to be discussed at its General Assembly in the coming autumn.

Answer: We respect the authority of the U.N. whose mission it is to safeguard peace and justice; we regard it natural that the DPRK, an independent and sovereign state, should enter the U.N. However, the matter of our country's U.N. membership has a direct bearing on the question of our country's reunification, the supreme task of our nation. Therefore, we have given this matter serious consideration and maintained that the matter of Korea's entry into the U.N. should be settled in favour of our country's reunification through negotiations between North and South. In spite of this principled stand and just efforts of ours, the South Korean authorities have invariably persisted in a divisive stand against ours. This has made it impossible for the North and the South to enter the U.N. with a single seat. Under these circumstances, we have made a decision, as a countermeasure, to enter the U.N. There will be no change in our principled stand that the North and the south should work jointly at the international arena as one nation and that they should hold one seat at the U.N. as one seat representing he whole nation.

Question: Please tell us about the prospects of improving the relations between the DPRK and the U.S. at the government level, the matter of concluding a peace agreement, the nuclear issue, and the problem of peace in Asia.

Answer: The abnormal relations between Korea and the United States are due entirely to the unfair U.S. policy towards Korea. In view of the process of change in the general situation today, I think it is high time that the United States reexamined her Korea policy. If she sincerely supports the reunification of our country and wants to ensure peace in the Korean peninsula there is no reason why she should not accept our proposal for replacing the Armistice Agreement with a peace agreement, nor is there any question to which no solution can be found in the improvement of [word indistinct] between Korea and the United States [words indistinct], it is untenable that the United States [words indistinct] inspection of somebody else while they themselves have deployed a large number of nuclear weapons in South Korea. [passage indistinct]

We do not have nuclear arms nor do we produce them. So we do not [word indistinct] nuclear inspection. [passage indistinct]

Significance of UN Entry Decision Viewed

SK0406074891 Pyongyang Korean Central Broadcasting Network in Korean 1100 GMT 2 Jun 91

[NODONG SINMUN 2 June special article: "An Active Measure To Overcome the Temporary Difficulties]

[Text] Our country is divided by outside powers. As a result, there is great unhappiness and pain from which our people have suffered.

The great leader Comrade Kim Il-song has taught: We should not preserve the national division for more than a half century, but within a few years we should surely realize the historic cause of the reunification of the fatherland.

Bringing an end to national division as soon as possible and realizing the reunification are spontaneous issues related to the future destiny of the nation. The reunification of the fatherland is the national aspiration of the Korean people, and is the most important event facing our people today; it is a pressing task that should be solved as soon as possible.

Because of this, the Government of our Republic and our people have regarded the reunification of the fatherland as the most important national cause since the first day the country was divided, and have made every effort to realize it. We are trying to do the same still today.

There are countless proposals and initiatives for the reunification of the fatherland. All of them, however, have been completely frustrated by the two Koreas policy of the splittists at home and abroad who perpetuate Korean division. Thus, the tragedy of division continues.

The so-called theory of South Korea's unilateral UN admission is an important tool for preserving the two Koreas policy of the splittists. The theory of admission to the United Nations is the plan of the United States. Regarding the maneuver of the two Koreas as a basic line of U.S. policy toward Korea in order to turn South Korea into their colonial and military base forever and to realize their aggressive ambitions in the Northeast Asian region, the United States has tried to preserve the division.

Beginning in the 1970's, the United States made the South Korean puppets design the splittist-oriented 23 June Declaration. In addition, they tenaciously tried to realize the proposal for UN admission. They could not, however, realize it because of the objection of the whole Korean people and the world people who want an independent and peaceful reunification.

Taking advantage of the changes in the situation of the world in recent years, the splittists have revived their proposals for division and have attempted unfailingly to realize it. This is a criminal act that runs counter to the cause of the national reunification of our people.

As for the question of UN membership, our republic, as a just independent and sovereign state, is fully qualified to be a member of the United Nations.

We have consistently respected the UN Charter, which is aimed at maintaining peace and security in the world and at developing friendly relations among the nations, and have wanted to enter the United Nations. However, the most important question is the independent and peaceful reunification of the fatherland which has been divided.

Therefore, we have tried to give priority to the settlement of the national reunification issue above all other issues. In addition, we have studied the question of entering the United Nations, subordinating it to the question of national reunification, and have worked hard to settle the question of entering the United Nations in favor of the realization of national reunification.

Proceeding from this stand, we have consistently insisted on entering the United Nations under a single nomenclature after reunification through a confederal system. We have put forth a reasonable proposal for the North and South to enter the United Nations under a single seat, should they want to enter it before reunification. We have also demanded that the South Korean authorities stop attempting to conduct the splittist-oriented unilateral UN entry which would mean bringing the question of national division even to the United Nations and laying one more obstacle in the way of reunification

The issue of UN membership is an internal affair of our nation. Thereby, it should be solved in an independent way. And the North and South should discuss the UN issue in advance. Based on this principle, the UN issue was raised as an important agenda item at the North-South high-level talks so that the results of an agreement could be submitted to the United Nations. We have made every sincere effort to realize it.

A great number of countries in the world believe that the issue of Korean UN membership should be solved through compromise between the North and South which is favorable to national reunification. The South Korean authorities, however, have strongly opposed our just demand with regard to a compromise and settlement of the UN issue which is favorable to the reunification of the fatherland. They have meanly concentrated their efforts on mendicant diplomacy in order to realize overnight the unilateral entry into the United Nations with the help of outside forces.

Not only have they opposed the proposal for a single-seat UN admission at past North-South high-level talks, but they also have stated that national reunification and UN admission are different issues. In addition, they said that the issue of UN admission is not something to be agreed upon between the North and South, but an issue which should be determined independently, and thus they said that they would not discuss the issue any more at the talks. They have completely proclaimed a policy of unilateral UN admission, and have officially submitted a so-called government memorandum to the UN Security Council.

Under these circumstances, they asserted their unchangeable position toward unilateral UN entry at the meeting between the permanent observers of the North-South to the United Nations which was held to solve the UN issue. They have left no room for compromise.

This is, indeed, intended to commit a great crime against the nation which can never be forgiven, while ignoring the aspiration of the entire people for reunification and turning one Korea into the two Koreas through the UN forum.

If we remain indifferent to the actions of the South Korean authorities who are seeking a unilateral entery into the United Nations, the important questions concerning the interests of the entire Korean people may be discussed in a biased and unfair way on the UN arena, which will bring a grave consequence.

If we ignore this, the unjust maneuvers of the splittists who oppose national reunification will be encouraged. And then this will create a great difficulty in the cause of the national reunification of the Korean people as well as bring the most harm to world peace.

We cannot look on this with folded arms. Therefore, the statement of the DPRK Foreign Ministry has pointed out that we had no alternative but to take the road to inevitably enter the United Nations at the present time in order to overcome the temporary difficulties caused by the South Korean authorities, and that it would formally submit an application for UN membership to the UN secretary general according to relevant procedures. It is natural for the DPRK to do this.

Our decision to enter the United Nations is essentially different from the two Korea policy of the United States and South Korean authorities. The decision by the DPRK to enter the United Nations is an active measure for a more dynamic struggle for the reunification of the fatherland by, under the aggravated tension, raising objection to the national division at the United Nations.

We will never, under any circumstances, accept the two Koreas policy, but will oppose it endlessly and tenaciously struggle for one Korea.

Such an abnormal situation in which the North and South must enter the United Nations separately should not be absolutely fixed. This should be, without fail, overcome by the aspiration of the whole nation for reunification and its united might.

We expect that the North and South should occupy one seat at the United Nations with a single state name. We will constantly make every effort to see this take place in the future. In addition, we will positively try to solve the question of Korean reunification and international issues at the UN arena in conformity with the interests of our people and world peace and security.

The cause of our people for reunification and peace of the fatherland will be realized without fail.

South Students-Prime Minister Encounter Noted

SK0306135591 Pyongyang Korean Central Broadcasting Network in Korean 1312 GMT 3 Jun 91

[Text] This news is just in.

According to a radio news report from Seoul, students of Hanguk University of Foreign Studies in Seoul held the puppet acting prime minister at the university, and threw flour [as heard] and rotten eggs at him. Thus the puppets were dumbfounded.

At around 1830 tonight, when he came to the Graduate School of Education of Hanguk University of Foreign Studies in order to deliver a so-called lecture, he was ridiculed and made fun of by approximately 1,000 angry students.

Shouting slogans, "Down with the Devilish Homicide, Stooge of Violent Regime Which Killed Kim Kwi-chong" and "Save the Life of Kim Kwi-chong," students threw flour [as heard] and rotten eggs at the rascal puppet acting prime minister. In addition, they tackled him at the school gate of the Graduate School of Education, and expelled him from the school.

Some students set up barricades around the school gate to prevent the police from going into the school. They continuously staged sit-ins until 1940.

It is said that the puppet acting prime minister, who was expelled from the school gate area, hurriedly fled by catching a taxi.

It is said that when he was education minister and when he appeared at a site where students of King Sejong University were staging demonstrations, he was humiliated by the students.

South Military Budget Augmented on U.S. 'Order'

SK0106061291 Pyongyang KCNA in English 0424 GMT 1 Jun 91

[Text] Pyongyang June 1 (KCNA)—The No Tae-u ruling group worked out a military budget for next year 24.6 percent greater than this year's, according to a radio report from Seoul.

It intends in this to "increase combat capabilities" and maintain the present war equipment.

It is needless to say that the military budget for next year was augmented on the order of the U.S. imperialists to reinforce armed forces and step up war preparations in South Korea against the North.

South Korea

North Urged To Help Build DMZ Reunion Area

SK0406083891 Seoul YONHAP in English 0803 GMT 4 Jun 91

[Text] Seoul, June 4 (OANA-YONHAP)—South Korea on Tuesday asked North Korea to join with it in building a peace city in the no-man's land between their borders where separated families could be reunited.

"We ask North Korea to accept our proposal in order to provide a place for rendezvous in the buffer zone," National Unification Minister Choe Ho-chung said at a ground-breaking ceremony for an observatory on Mt. Odu near the demilitarized zone.

"Both South and North Korean Government authorities have a humanitarian responsibility to placate the pains of the 10 million members of divided families," said Choe, who is also a deputy prime minister.

Construction of a peace city was first suggested by President No Tae-u in an address at the United Nations in 1988 and he repeatedly detailed it in setting out his "Korean national community unification formula" in 1989.

No proposed establishing a "peace area" in the Demilitarized Zone and then developing it into a "unification peace city." There has been no response from the North.

The military buffer zone, established after the Korean war, stretches two kilometers on either side of the Military Demarcation Line.

Under South Korea's plan, the peace city will have meeting places, academic, sports and cultural facilities, a market, churches and temples, and buildings to promote inter-Korean exchanges. According [to] a Unification Board official, the city will be an example for inter-Korean cooperation and any Korean will be free to enter.

The 30-meter observatory on the peak of Mt. Odu, some 110 meters above sea level, will be equipped with exhibition rooms when it is completed in August 1992.

South, North Agree on Romanization of Alphabet

SK0406035191 Seoul YONHAP in English 0128 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—South and North Korea have agreed on a system of Romanization for Korean, officials at the industrial advancement administration said Tuesday.

The agreement came in a meeting of the Information and Documentation Committee of the International Standardization Organization (ISO) in Copenhagen, Denmark, May 23-June 2.

They finalized romanization of five consonants, ending a process begun in 1987. Hangul, the Korean alphabet, has 14 consonants and 10 vowels.

They agreed that "kieok" and "pieup" as the first syllable of a word will be written "k" and "p" respectively, and that in other positions they will be represented by "g" and "b," the officials said.

The agreement will be officially approved as an international standard after being reviewed by other ISO-member nations.

Officials of South and North Korea will now try to unify Hangul keyboards based on the unified Romanization system.

North Asked To Collect Drifting Fishing Boat

SK0406081891 Seoul YONHAP in English 0625 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—Home Affairs Minister Yi Sang-yon has once again asked North Korea to collect a fishing boat found drifting in South Korean waters five months ago.

"We make it clear that the responsibility will entirely fall on the North side if bad weather drives the boat away from its current location or sinks it, jeopardizing salvage operations," Yi said in a telephone message to fishery commissioner Choe Pok-yon.

Muan 9818 was blown out to sea from a North Korean port during a storm on Dec. 27 and found drifting near Tokchok Island in the Yellow Sea.

Yi asked Pyongyang on May 28 to pick up the boat by mid-June because it was in danger of sinking when the weather worsened, and North Korea said May 29 it would take the boat back and asked Seoul to protect it until then.

Conference Speech of Presidential Aide Previewed

SK0406045291 Seoul YONHAP in English 0257 GMT 4 Jun 91

[Text] Seoul, June 4 (OANA-YONHAP)—Inter-Korean relations will go through sharp changes in one or two years, conditions for unification of the Korean peninsula will ripen by the mid-1990s and political and legal unification of South and North Korea will be consummated by the end of the decade, a presidential aide says in a speech prepared for delivery in Moscow on Tuesday.

Kim Hak-Chun, presidential assistant for policy research, is scheduled to make the forecast in a key-note speech at the first joint Korea-Soviet scientific conference, which opened in Moscow on Monday.

The two-day conference on "Peace and Cooperation in the Asia- Pacific Region and on the Korean Peninsula" is jointly sponsored by the Institute of Far Eastern Studies at Kyungnam National University and the Soviet Academy of Sciences' Institute of Oriental Studies.

"That North Korea has decided to join the United Nations to keep pace with the same bid by South Korea is the outcome of President No Tae-u's northern policy, which induced changes in North Korea through the Soviet Union and China," an advance copy of the Korean-language speech says.

"Despite its decision to enter the world body, North Korea is unlikely to seek any noticeable internal changes immediately but head in the opposite direction to strengthen internal solidarity.

"However, it is not unreasonable to guess that real changes have just begun judging from the fact that North Korea, when confronted with the limits of its power, could not reject Chinese and Soviet advice on the matter of U.N. membership."

"No matter how much North Korea wants to maintain its dogmatic and cold war-based principles, the waves of history will not allow it. We hope that reform-minded people will gain ground among Pyongyang's leadership," he says.

The conference agenda includes matters concerning political and economic cooperation between the two countries in Northeast Asia and in the Asia-Pacific region as a whole.

Participation in Moscow Communication Fair Noted

SK0406024591 Seoul THE KOREA HERALD in English 4 Jun 91 p 3

[Text] Korea Telecom will participate in Expo Comm Moscow '91, with two other Korean companies, Samsung Electronics and Goldstar Information and Communications Co., a Korea Telecom spokesman said yesterday.

Expo Comm Moscow '91 is an international telecommunications equipment and computer system exhibition slated for June 5-10 in Moscow, the first such exhibition in the Soviet Union.

The three Korean companies will display TDX, the Korea-developed advanced automatic telephone switching system, and optical fiber cable which will be used in the trans-Siberia underground cable-laying project,the spokesman said.

At the Moscow exhibition, 89 major telecommunications and computer makers from 14 countries are scheduled to take part.

The event will be an excellent opportunity for Korea to show off its advanced telecommunications and computer technology to the world and thus facilitate Korean companies' exploration of the potentially vast Soviet market in coming years, the Korean official said.

Foreign Minister Meets Japan's LDP Leader

SK0406090991 Seoul YONHAP in English 0849 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—South Korean Foreign Minister Yi Sang-ok met with Keizo Obuchi, secretary-general of Japan's ruling Liberal Democratic Party, on Tuesday to discuss matters of mutual concern such as South and North Korean entry into the United Nations and Pyongyang-Tokyo talks on diplomatic normalization.

Touching on South and North Korea's U.N. policies, Yi expressed the view that "firm" support of friendly nations, including Japan, for South Korea's U.N. policy caused North Korea to change its position on joining the United Nations.

"We are observing whether North Korea will scrap its position and accept international inspection of its nuclear facilities," Yi said.

Obuchi said it was "natural" for South Korea to join the United Nations. "Japan heartily hopes South Korea joins the United Nations at the earliest possible date and will spare no effort to support Seoul's U.N. policy in the future."

Speaking later at a news conference, Obuchi showed a favorable response to the improvement of Seoul-Moscow relations by saying,"South Korea and the Soviet Union have made impressive gains in their mutual bid to develop friendly relations. Japan, I think, should learn a lesson from it."

The Japanese ruling party's No. 2 man said Japan and the Soviet Union had made no progress in improving their relations due to a dispute over ownership of the Kurile Islands.

Export Growth Expected With Relaxation of Rules

SK0406013091 Seoul YONHAP in English 0100 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—Robust growth is expected in South Korean communications and computer exports to Eastern Europe following a decision to drop many key items from Cocom's [Coordinating Committee for Multilateral Export Controls] export control list.

Cocom, the Coordinating Committee for Multilateral Export Controls, will draw up a new list effective in September that eliminates 32-byte microprocessors and other strategic commodities and technology, the Korea Trade Promotion Corp. said Tuesday, citing a report from its Korea trade center in Washington.

The amendment will increase the export-free rate to 45 percent in electronic items, 30 percent in advanced industry materials, 50 percent in shipping or aviation items, 30 percent in oceanic items, 70 percent in computer items and 50 percent in propellent items, it said.

Police Attempt To Recover Demonstrator's Body

SK0406021791 Seoul THE KOREA TIMES in English 4 Jun 91 p 3

[Text] Police troops yesterday broke through barricades set up by students around the Paik Hospital where the body of Kim Kwi-chong, a coed who was allegedly trampled to death in a demonstration in Seoul May 25, is being kept.

They demolished the blockade in 15 minutes and moved in close to the mortuary after violent confrontation with student demonstrators at 6:00 a.m. but retreated voluntarily without seizing Kim's body.

The battle involved a fierce exchange of firebombs and teargas, leaving many billboards around the area destroyed and patients running for shelter.

Five newly-born infants had to be placed in incubators after 20 teargas bombs were fired into the medical facility. Patients and their families strongly criticized both student protesters and the police for bringing their confrontation to their recuperation facility.

The police action took place as the court warrant for an autopsy on Kim's body was to expire the same day, deepening prosecution's concern that the body might soon decompose beyond medical recognition.

The prosecution has been delaying forcible autopsy as students and Kim's family strongly opposed it arguing that the cause of the death is obvious, the overuse of force by riot police.

The students guarding the body of the 25-year-old Sungkyungwan University coed are believed to be armed with over 500 firebombs and other inflammable objects.

They installed the barricade around the hospital soon after police withdrew and doused the wood materials obtained from a nearby construction site with paint thinner to light them up upon police attack.

There are 50 students guarding the body in the mortuary and over 500 others are stationed around the medical building, all armed with wooden clubs and steel pipes.

They have also reinforced the walls of the room where Kim's body is being preserved with hundreds of sandbags to prevent police from breaking in through the wall.

The police, on the other hand, have been positioned at buildings in the vicinity of the hospital, ready to launch an operation to take Kim's body.

However, the police authorities are concerned about the possible extreme reaction of the students, including self-immolation.

Prosecutors, pointing out that the autopsy has to be conducted as soon as possible or not at all, are reportedly at a point where there is no alternative but to initiate forcible action.

Government Vows Use of Police Force if Needed

SK0406134791 Seoul YONHAP in English 1323 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—The government on Tuesday reacted sternly to students' physical attack on the prime minister, calling it "violence against the nation" and vowed it will not hesitate to resort to police force to fight it.

Meeting in a hastily called ministerial conference, government leaders said that anti-democratic, anti-government forces were behind the incident and called for a solution at a pan-national level.

Chong Won-sik, nine days after he was named prime minister, was pelted with eggs, dumped with flour, kicked and punched by tens of students while at the Hanguk University of Foreign Studies (HUFS) for his last lecture Monday night.

The appointment of Chong, a former education minister, outraged dissidents and student activists who hold him responsible for the layoff of hundreds of schoolteachers two years ago who joined a nationwide teachers' union that he outlawed.

The attack alarmed South Korean authorities, already sullied by strong waves of anti-government sentiments surfacing in violent street demonstrations.

Information Minister Choe Chang-yun, emerging from the meeting, said the ministers unanimously agreed the time has come for the government to "unhesitatingly take resolute actions to restore order."

"The consensus was that unless law and order take their stand from this incident, the government's reliability will be dangerously threatened," he said.

The education-sports committee of the National Assembly will be convening this Friday to discuss the incident, and the Korean Council for University Education, an organization of 79 colleges, will be meeting Wednesday to find ways for restoring peace on campuses.

Police and HUFS officials have already declared they are punishing nearly 20 students suspected of instigating the violent attack on the prime minister.

Police distributed more than 100,000 leaflets picturing the 15 student suspects, including HUFS Student Association President Chong Won-taek. Officials said they have evidence on Chong and at least five others.

Administrators at HUFS in afternoon's meeting decided to expel 11 of the students believed involved in the incident.

HUFS Student Association formally issued an apology statement to the prime minister and the public, saying "the incident was not a personal attack against the prime minister."

The association feels responsible for its failure to prevent such an incident and apologizes, the statement said.

But the government should not abuse this incident to crack down on the democratic forces, and the students will fight fully against such abuse, the statement warned.

Police To Investigate Hanguk University Incident

SK0406013191 Seoul YONHAP in English 0044 GMT 4 Jun 91

[Text] Seoul, June 4 (OANA-YONHAP)—Prime Minister Chong Won-sik was pelted with eggs and flour, kicked and punched by scores of radical students at Hanguk University of Foreign Studies in Seoul Monday evening.

During the half-hour melee, Chong suffered minor skin injuries but did not need to be hospitalized.

The 62-year-old educator was named premier on May 24.

"Let's oust Chong Won-sik," chanted a dozen students as they bombarded the prime minister with around three dozen eggs. Chong was leaving a classroom where he had just finished giving his last lesson as a professor when the incident occurred.

Escorted by four bodyguards, he fled to a classroom across the corridor. The students, whose numbers soon swelled to about 40, jumped into the room through the open windows and dragged him back into the corridor, where they showered him with flour.

Chong was then hauled out of the building by seven or eight students who grabbed his belt, collar and neck and was surrounded by about 300 students.

When Chong began to scold the students, they hit him in the back of the head and kicked him.

As he shoved his way toward the campus gate, Chong was pelted with more eggs and kicks by the students. While the students scuffled with his bodyguards, he fled in a passing taxi.

The prime minister is criticized by students and dissidents for dismissing 1,500 teachers when he was education minister in 1989 because they were involved in the creation of the National Teachers Union, which he outlawed.

On the orders of President No Tae-u, the police are investigating the incident and will arrest the president of the student council and others.

Students Expelled for Masterminding Attack

SK0406083791 Seoul YONHAP in English 0707 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—A nationwide manhunt was launched Tuesday for the students who assaulted Prime Minister Chong Won-sik, and Hanguk University of Foreign Studies (HUFS) said that it would expell 11 students for masterminding the violence.

More than 1,000 policemen began going door to door near the school in eastern Seoul, rounding up suspects. Police questioned 364 students overnight after the egg-throwing incident Monday and released 183 in the morning.

A police spokesman said 16 students, including student council Chairman Chong, played key roles in the attack.

Surveillance was stepped up in the downtown boutique area of Myongdong, where Paek Foundation Hospital and Myongdong Cathedral are located, as the fugitive HUFS students were thought likely to try to hide in the two places to evade the police, he said.

Both the hospital, where reposes the body of a collegian who died during a demonstration on May 26, and the cathedral are havens for anti-government activists.

"The students seem to have carefully planned their crime," said Yi Wan-ku, head of the investigation team formed by Seoul Metropolitan Police Headquarters. "They had eggs and flour with them."

After an emergency faculty meeting Tuesday morning, HUFS President Yi Kang-hyok said that Chong Won-taek, chairman of the student council, and 10 others had so far been identified as the brains behind the assault.

"We will have to punish more students if we find that more were involved," Yi said, adding that student representatives would visit the prime minister soon to offer him a "sincere apology."

"In order to prevent a recurrence of this unfortunate incident, we will overhaul school regulations to protect the authority of our professors," Yi said.

During the faculty meeting, some 200 of the school's 260 professors adopted "an apology to the people" in which they expressed shock at the humiliation suffered by Chong.

Chong, appointed prime minister on May 24, was giving his last lecture on "How to guide students" at the HUFS graduate school of education Monday afternoon when scores of students attacked him with eggs and flour. After half-hour ordeal on campus, Chong was whisked to safety in a taxi.

Political Climate, Chong Won-sik Attack Viewed

SK0406035091 Seoul YONHAP in English 0210 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—The political climate in South Korea plunged to yet another surly low on Monday evening, when the prime minister was pelted with eggs and showered with flour and then dragged and kicked by radical students on a campus where he was lecturing on education.

Chong Won-sik, a former education minister, emerged as the cabinet's most prominent target of criticism by collegians and dissidents as soon as he was named prime minister by President No Tae-u on May 24, but he did not seem to notice.

Chong ventured into the graduate school of education at Hanguk University of Foreign Studies in eastern Seoul to give his last lecture on "How To Guide Students," ending a series he had been giving since before he joined the cabinet a second time. He was accompanied by several bodyguards, but too few to counter the assault by scores of student activists.

After being smeared with eggs and flour, getting beaten all over his body, having his glasses trampled and being manhandled by the students for half an hour, Chong was given first aid at an Army hospital and returned home.

The scuffle, the second episode of on-campus humiliation for the gutsy prime minister, provoked naked anger in President No Tae-u and in his Democratic Liberal Party [DLP], and shocked the opposition camp.

In an unprecedentedly swift response to an incident of political significance, No called Education Minister Yun Hyong-sop Monday night and ordered him to make a thorough investigation and punish everyone involved.

"How can this indescribable violence be committed on a campus? It is not simply an act unpardonable for a student, it is a violation of human ethics," the indignant president said.

Students claim they learned of Chong's presence on their campus while he was lecturing, but No thought otherwise.

"This was not an accident. It was a pre-meditated plot. The people involved should be punished sternly to set an example to others. The Education Ministry should work out fundamental measures that will put the campus on the right track," No told Yun.

Information Minister Choe Chang-yun promptly issued a statement condemning the incident as a "pre-planned" attack on ethics and declaring that "all means" would be mobilized to identify the assailants and to prevent a recurrence.

Home Minister Yi Sang-yon, Presidential Secretary-General Chong Hae-chang, Secretary-General to the Prime Minister Kang Yong-sik and Education Minister Yun huddled at the prime minister's residence in downtown Seoul Monday night and resolved to take strong punitive actions against those involved in the manhandling, which they defined as "a grave challenge to the government and official authority."

Rep. Pak Hui-tae, spokesman for the ruling DLP, said it was the first time that a prime minister of Korea had ever been assaulted.

"Stern measures should be taken so that such a nation-ruining incident will never happen again," Pak said.

"We are shocked. Violence can never be justified for any reason. Such an act will disappoint those people who believe in democracy," said Rep. Pak Sang-chon, spokesman for the major opposition New Democratic Party.

Prosecutor-general Chong Ku-yong said Tuesday the prosecution would stake its honor on catching the assailants.

"A challenge to the prime minister is a challenge to the Constitution and the people," he said.

In an "apology to the people" issued on Tuesday morning, some 100 professors at the university expressed "shock" and promised their "best efforts" to prevent a recurrence.

While the fury of those in public office is understandable, their initial response is emotional and forecasts tougher rule by the government, political analysts say.

The incident also shows a woeful lack of knowledge and understanding of the seriousness of the radical students' discontent with the government, the analysts say.

"We feared this could happen at any time, considering the students' resentment toward the prime minister," an official of a dissident organization said.

When Chong was appointed prime minister, almost all dissident organizations including the National Alliance for Student Representatives (Chondaehyop), National Teachers Union (Chongyojo), and National Alliance of Democratic Movements (Chonminnyon) called in unison for revocation of the appointment and tagged Chong a "massacrer."

While education minister for two years from December 1988, he resolutely opposed the move of reform-minded school teachers to form a union and his firm stand led to their mass arrest and dismissal.

Members of the outlawed union, Chongyojo, still accuse him of blocking the democratization of education, but the government and conservatives rate him highly for his "hands-on" approach.

Finance Minister: No Major Change in Interest

SK0406045491 Seoul YONHAP in English 0229 GMT 4 Jun 91

[Text] Seoul, June 4 (YONHAP)—Liberalization of interest rates in South Korea, due this year, is now not expected until next year at the earliest and will be carried out step-by-step to minimize any possible adverse effects.

Finance Minister Yi Yong-man said Monday that there would be no major change in the interest rate system this year, and his ministry would map out a master plan and carry out deregulation on a phased basis.

Yi, who recently replaced Chong Yong-ui as finance minister, said it would be difficult for the Korean economy and finance industry to avoid the turbulent waves of internationalization and liberalization, and interest rate policy would be conducted within the framework of liberalization.

The ministry planned an overhaul of the interest rate system to ensure high interest rates for long-term deposits and loans, and lower ones for short-term deals, he said.

Subject to deregulation will be lending and deposit rates at all financial institutions, including banks and short-term finance companies, some of which were liberalized in 1988 to little effect.

To draw up a master plan for liberalization, the ministry made suggestions to the financial development deliberation committee, including liberalization of all lending rates, liberalization of all lending rates excepting the central bank's relending rates, gradual deregulation of lending rates based on business lines, across-the-board liberalization of deposit rates and gradual deregulation of deposit rates based on deposited period.

Ministry officials said the proposals have merits and demerits and the government plans to work out a compromise plan after a series of public hearings, making it clear that the ministry has not finalized any plan.

The government deregulated most bank and non-bank lending rates and some time deposit rates but failed to achieve a real liberalization because of an export slump, weakened investment and the collective action of the financial institutions.

The plan to liberalize interest in the latter half of 1991 was promoted by former finance minister Chong after it was first discussed at an economic ministers' meeting on May 14.

An official said the ministry's proposals were significant as it was the first time that the government had made a proposal for interest rate liberalization and sought public reaction to it.

He noted that the government tried to liberalize interest rates in 1988 without consulting public opinion and the result was a failure.

* Long-Range Industrial Development Viewed

912C0191A Seoul HANGUK KYONGJE SINMUN in Korean 15 Mar 91 p 4

[Unattributed article: "To Boost the Competitiveness of the Manufacturing Industries—Measures by Industry"]

[Text]**Electronics, Information: 18 Core Parts by 1995**

This is an industry that leads technological innovations. Especially, as the nation is on the threshold of an information society, it is holding out hopes of unlimited development.

Our electronics and information industry recorded a high export growth of 40 percent in annual average for the 3 years 1986-88. For 1989 and 1990, however, the average gain fell to 4 percent, indicating a general downtrend.

As a countermeasure, by 1993 the industry will develop 10 key component parts including the liquid crystal display (LCD) and small, high-performance batteries. Also, developments of eight component parts such as micro devices and core sensors will be completed by 1995. Research and development activities will be led by private enterprises, with a research union organized in each field and cooperation systems established between parts firms and end-products companies.

The industry will embark on development of five high-technology products which are expected to lead the electronics and information industry for the latter half of the 1990's—high-definition television, next-generation facsimile, advanced medium-size computer, power distribution automation system, and 16M DRAM and 64M DRAM.

To that end, businesses, research institutes and universities will establish organic R&D systems; with regard to the required development funds, the Trade-Industry, Science-Technology, Communications, and Energy-Resources Ministries will jointly provide support.

To help medium- and small-size parts firms with their technological difficulties, and to expedite technological developments in their weak areas such as semiconductor equipment, the government will spend 75 billion won to open a consolidated electronic parts research institute.

The enrollment in the electronics and information courses at major engineering colleges in the metropolitan area will be expanded to resolve the technical manpower shortage. Also, a graduate school of information industry will open as an annex of Pohang Engineering College. Through this school and the Institute of Computer Technology and the Public Corporation for Medium- and Small-Size Enterprise Development, 5,300 software engineers will be trained every year.

Auto: Parts Institute, Research Complex To Open

This is a composite machine industry that needs more than 20,000 component parts. Also, its products are the largest single item traded in the world markets.

After selling its first cars in the U.S. markets in 1986, the Korean auto industry registered a 67 percent export growth in annual average for the 3 years through 1988. But it declined by 39 percent in 1989 compared with the previous year, and again by 2.5 percent in 1990.

To create the capability of developing unique models with its own technology, the proportion of the technology development fund to the sales value at companies producing finished cars will be increased from the present 4 percent (approximately 400 billion won) to 5 percent (1.2 trillion won) by 1995. Also by 1995, eight key technologies will be developed, including anti-air pollution devices and automatic transmission systems.

For technological developments of medium- and small-size parts makers, an "Auto Parts Technology Institute" will be established in the Osan area, Kyonggi Province, by 1992. Also, a 30,000-pyong research complex will be created near house research institutes attached to 50-odd auto parts firms. Firms involved will be granted the Cooperativization Fund, which is part of the Medium- and Small-Size Industrial Structural Adjustment Fund.

Additional sites of approximately 1.2 million pyong will be secured in Tangjin, South Chungchong Province, and Talsong, North Kyongsang Province, for auto plants to relieve companies of difficulties stemming from the land shortage.

A total of 2.6 million pyong of land will be prepared in six areas near auto plants in Kunsan and Mokpo by 1995 on which to develop industrial complexes for auto parts. Considering the fact that auto makers are under severe financial pressures from the current direct marketing system, the necessary environments will be created to introduce an "auto dealer system."

Restrictions on used-car transactions will be eased and the registration business will be shifted to the control of mayors and county chiefs.

Machinery: To End Reliance on Japan

The machine industry, as a root of all other industries, reported an annual growth as high as 20 percent in the 1980's. Nevertheless, the nation still depends on imports for more than 45 percent of the total demands. The reliance on imports from Japan is particularly high. Of the $5.9 billion deficit in the trade with Japan last year, machinery accounted for as much as $5.1 billion.

Our present level in product-designing technology, which is only 30 percent of the advanced nations' level, is responisble for this situation. In the assembly and manufacturing technologies our levels are 80 percent of the advanced nations'. As a result, the rates of domestic production remain at 75 percent or so in plant equipment for nuclear power generating facilities, 75 percent in automatic focus cameras, and approximately 70 percent in water-jet-looms.

Another problem is that the purchase funds for domestically produced machines are too short of the demands to be effective in discouraging the preference for foreign-made machinery. Therefore, programs will be launched to promote domestic production of machine parts materials; thus, some 4,000 items which are high on the list of imports from Japan and which have high pervasive effects will be domestically produced by 1996.

Also, 134 basic technologies needed to manufacture high-performance dyeing ranges and AI-type robots will be developed by 1995. Measures will be taken to finance these developments with outlays from the Industrial Development Fund (70 billion won for 1991) and the Medium- and Small-Size Enterprise Structural Adjustment Fund (50 billion won for 1991), and from the Technological Development Fund and the Lease Fund, both part of the National Investment Fund.

To resolve the land shortage and expedite the affiliating of parts firms, the "No. 2 Machine Industry Complex" of approximately 3 million pyong will be built in a west coast area. Also, a machine parts complex will be created near the Changwon industrial complex.

To develop designing technology for medium- and small-size firms and to train and reeducate designing engineers, aid to the Precision Machine Designing Joint Research Institute, an annex of Seoul National University, will be stepped up positively and the facility will be expanded.

Iron & Steel: To Develop Melting Reduction Method by 1994

The steel industry provides the electronics, auto and other key industries with basic materials and therefore has a great impact on related industries.

It recorded a high sustained growth in the 1980's, averaging 18 percent annually. However, due to the low automation level compared with Japan, productivity still remains at 70 percent. The ratio of special steel, which is high in the value added, is 6 percent against Japan's 15 percent, leaving the industry unable to satisfactorily meet the increasing demands for higher-grade steel.

Even in the common steel, an area in which we are known for being most competitive in the world, advanced countries like Japan and some European countries are currently developing a high-tech melting reduction method and this has become a threat to us.

Therefore, under a program centering on the New Iron and Steel Research Union, three advanced technologies including the melting reduction method will be developed by 1994.

Also, under a program led by the private sector, 104 high value-added products including the "two-layer electric-plated steel sheet for automobile's outside plating" will be developed by 1995. The government and the private sector will jointly open a "Center for Utilization of New Materials" within the Institute of Production Technology to push development of new metals, fine ceramics, high molecular substances and other new materials.

Measures will be taken to help secure funds for the fourth-phase construction of Pohang Iron and Steel Company's Kwangyang plant. To secure the stable supply of scrap iron, which accounts for 40 percent of raw material, large-scale processing complexes will be created. Also, steps will be taken to resolve distribution problems involving petty scrap iron collectors.

An 88,000-pyong open-air container storage site will be included in the basic plan for the creation of an inland container transport base, which is being pushed by the Korea Maritime and Port Administration, to alleviate difficulty for container exporting firms.

Textile: To Push Internationalization of Fashion Designing

The decline in the textile industry is due to the low technological levels—only 50-70 percent of the advanced nations'—particularly in the materials and dyeing areas. Compared with the technology levels of the advanced countries, ours are 75 percent in chemical fiber, 65 percent in cotton yarn and weaving, and 50 percent in dyeing. We are also lagging in automation; our automation rate is only 30-45 percent, a far cry from Japan's 50-70 percent. Shortages of skilled labor and the lagging internationalization effort in the fashion designing area are also among the major factors causing the slump.

Therefore, to boost its competitiveness in the world markets, the industry has to increase productivity and cope with the labor shortage by developing technology and expediting plant automation. For technological upgrading to the advanced levels, the task of developing 26 key technologies including development of new fiber materials will be accomplished by 1995; an institute of textile production technology will be established by 1993.

The plant automation rate will be pushed up from the present 45 percent to 65 percent by 1995. Outlays from the Automation Fund will be increased to help promote the rationalization of the textile industry and the dismantling of obsolete installations.

The number of complexes specializing in dyeing will be increased from the present three to seven by 1996, with the complexes thus created placed in the four new industrial complexes at Nonkong, Sokmun, Sihwa, and Noksan. As part of the program to train R&D manpower, the industry will in the first half of this year formulate specific plans to jointly open a "Textile College," which will be adopted after consultation with the Education Ministry.

For the development of fashion designing technology and the rationalization of marketing strategy, financial aid will be extended to the International Fashion Designing Institute and other special educational institutions for their purchasing of equipment and materials. Fashion designing will be included in the list of technological developments for which official financial aid is granted.

Petrochemical: To Establish Joint Research System

The annual domestic production is 1.155 million tons in terms of ethylene, which places us on a self-supporting basis with petrochemical products.

The products are made with technologies imported from the advanced nations. In the case of multipurpose products, there is no difference in quality but due to disadvantages involving raw material, we are experiencing difficulty in developing competitiveness.

Normally, naphtha and ethane are used as raw material for ethylene. In Korea, we rely largely on naphtha.

Competitive environments are deteriorating in international markets, too, as oil producing countries and Southeast Asian nations increase their investments in plants and equipment for multipurpose petrochemical products.

In precision chemical products and high molecular substances, which are high profitability areas, our industry is basically weak because of technological deficiencies.

To increase the competitiveness, we plan to upgrade the industry's technology developing capability, to focus on developing high value-added products that are newly demanded, and to promote expanded use of substitute raw materials.

To upgrade the technology developing capability, 52 technologies have been selected for development, including the manufacturing technology for new high molecular materials such as engineering plastics, and the technologies for developing new processes and catalysts. Of the required fund for this year, amounting to 13.1 billion won, 7.5 billion won is earmarked to be paid by the government and this money will be disbursed from the Basic Industrial Technology Development Fund.

An industry-university-institute joint R&D system will be established, special engineering firms will be fostered, and we will work toward acquiring fundamental technologies from the Soviet Union and other countries.

There are also plans to push technology development for utilization of substitute raw materials, expand investments in the necessary facilities, and expand the Yochon area industrial zone by 1.77 million pyong to create at an early date the building sites to back up the new or additional construction of derivatives plants.

Shipbuilding: Higher Productivity by Computerized Designing

The technological level of our shipbuilding industry is approximately 20 percent below the Japanese. It is particularly low in the designing technology and in the automation of designing and production processes for economical-type vessels and LNG passenger ships. In the designing technology, it can be said that ours is 85 percent of the Japanese.

Therefore, it can be said that the key task in augmenting the competitiveness of our shipbuilding industry is to give priority to developing the designing and production technologies and enhance productivity through computerization and automation.

For the purpose of expediting technological developments, the government support plans draw a line between big shipbuilders and medium- and small-size builders.

With big shipbuilders, efforts will be made for an early development of a computerized system of designing and production (CSDP) which has been worked on by the Maritime Technology Institute since 1988, with outlays from the Specified R&D Project Fund and the Basic Industrial Technology Development Fund.

As for expediting the technological development of medium- and small- size shipbuilders, a ship designing center will be established under the jurisdiction of the Korea Shipbuilding Industry Cooperative Union to improve the designing technology and develop standard economical models for nine types of fishing boats. The development of a production control system covering the entire process of shipbuilding, including quality evaluation and improvements in building processes, will be pushed jointly by the industries, universities and research institutes. The required fund for the period through 1995 is estimated at 14.5 billion won, which will be paid by the government and the medium- and small-size shipbuilders involved. Also, the Korea Shipbuilding Development Company, established by medium- and small-size shipbuilders with their joint investments, will be placed in charge of the automation of production processes, ranging from iron-plate surface treatment to its cutting and processing.

Burma

Khin Nyunt Says VOA, BBC Fabricating News

BK0106110191 Rangoon Burma Television Network in Burmese 1330 GMT 31 May 91

[Excerpts] Major General Khin Nyunt, secretary-1 of the State Law and Order Restoration Council [SLORC], delivered an address at 0915 today in the conference hall of the Ministry of Foreign Affairs during a meeting with Foreign Ministry personnel. [passage omitted]

Maj. Gen. Khin Nyunt said he has come to the Foreign Ministry for the third time to meet with the ministry's personnel. He said he came in his capacity as the secretary-1 of the SLORC and as a representative of the minister of foreign affairs [Saw Maung] to speak on the matters that should be mentioned and to present these matters in person. [passage omitted]

He said the SLORC is carrying out political and economic reforms in the country. While the political reforms are being implemented, some major countries are carrying out all forms of interference in our country. The foreign radio stations—the BBC and VOA—and foreign journals are interfering in our country's affairs and are carrying out instigations by fabricating news and making personal attacks to create confusion and doubt among the public.

Under the leadership of Senior General Saw Maung, he added, we are earnestly working in unity in the interests of the indigenous people. No matter how much the foreign journals instigate and write false news, we will all continue to work toward our goal. In writing and fabricating news mercenary journalists and pseudo writers quote diplomatic sources in Yangon [Rangoon]. He said he wondered whether the diplomats did make such statements or whether these were deliberately fabricated to create problems between us and the diplomats. He said the Foreign Ministry which is directly in charge of the diplomatic affairs should seriously take up the matter concerning the writings. [passage omitted]

The SLORC will not tolerate the disintegration of the Union in any way. The national government is constructing and opening roads, hospitals, clinics and schools. Eight indigenous insurgent groups which have come to understand the government endeavors, had returned to the legal fold and are now working under the government supervision for their regional development. Meanwhile, programs had been laid down to wipe out the narcotics production and trade on which they once depended for their livelihood.

U Ohn Gyaw, deputy minister of foreign affairs, had travelled abroad and explained the work being done on narcotics control at international conferences. United Nations officials had been sent to border regions to witness the development work for national groups in border regions and narcotics eradication. Some countries and radio stations which do not desire such undertakings are making false allegations about them to undermine our endeavors.

Myanmar [Burma] was ruled by a foreign power for over a century during which a lot of the country's natural resources, culture, and heritage were lost. The British colonialists tried to wipe out our race and religion. We will not in any manner tolerate the loss of the country's independence which was obtained after many lives were sacrificed and much blood shed. The SLORC will not allow the country to come under a foreign domination. This would leave a black mark in the country's history. He said a firm constitution is essential for the perpetuation of a firm union and to prevent the country from coming under servitude again. It will be necessary to understand the endeavors of the SLORC which are aimed at preventing the disintegration of the country and foreign domination.

The country's political and law and order situation has become quite stable and the universities have reopened. [passage omitted] As the law and order situation in the country improves, efforts are being made to bring down the prices of commodities as desired most by the people. [passage omitted]

Unsuccessful Candidates Declared Unqualified

BK3105112991 Rangoon Burma Television Network in Burmese 1330 GMT 30 May 91

[Announcement No. 927 of the Commission for Holding Multiparty Democratic General Elections, dated 30 May 1991]

[Text] Subject: Declaration of unsuccessful parliamentary candidates and their election agents who failed to submit election expenses as unqualified persons.

1. Parliamentary candidates who contested in the multiparty democratic general elections of 27 May 1990 and their election agents are required to submit election expense accounts in accordance with Article 81 of the Election Rules.

2. However, the candidates mentioned below had failed to submit the election expense accounts as required. Therefore, in accordance with Article 88-C of the Election Rules, the commission has declared them as unqualified persons.

A. Names of unsuccessful parliamentary candidates and party organization:

U Tun Thwin, the League for Democracy and Peace, Thanbyuzayat-1 constituency

Name of election agent: U Maung Bwa

B. Daw Nyunt Nyunt, the League for Democracy and Peace, Thanbyusayat-2 constituency

Name of election agent: U Min Thein

C. U Tun Than, the League for Democracy and Peace, Thaton-1 constituency

D. Dr. U Sein Win, National Peace and Democracy Party, Thaton-2

Name of election agent: U San Myint

3. The commission therefore declares parliamentary candidates and their election agents mentioned in Section 2 as unqualified persons, in accordance with Article 89 of the Election Rules. By the authority vested in me.

Signed: Aye Maung, secretary.

Brunei, Malaysia & Singapore

Malaysia

Thais Free Three Kelantan Forestry Officials

BK0106160891 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 1 Jun 91

[Text] Mr. Johari Baharuddin, director of the Kelantan Forestry Department, who was arrested along with 10 other officials by Thai authorities last Thursday, has been released. Mr. Johari came to his office today. However, he declined to meet newsmen either at the office or at home. A senior official of the department confirmed his release but declined to elaborate. The official also refused to confirm news reports that Mr. Johari had been released after paying a 45,000-ringgit bail. Mr. Johari was the third person of the group released by the Thai authorities.

In Jitra, Deputy Home Affairs Minister Datuk Megat Junid Megat Ayub said the cabinet would discuss the detention by the Thai authorities of the officials of the Kelantan Forestry Department. The government will hold talks with the Thai authorities through the General Border Committee to settle the matter. He disclosed this after inaugurating the Sultan Abdul Halim Secondary School Alumni Association in Jitra today.

CID Chief To Investigate Case

BK0206130391 Kuala Lumpur Voice of Malaysia in English 0800 GMT 2 Jun 91

[Text] Criminal Investigation Department's [CID] Director Datuk Zaman Khan is expected to go to Kelantan today to help investigations into the detention of several government officials by Thai authorities.

Those detained are the Kelantan Forestry director, Johari Baharuddin, and 10 other staff of the department. They were on a routine patrol within the Malaysian border to check illegal logging activities in Jeli forest, about 89 kilometers from Kota Baharu, when the incident took place. Mr. Johari was released on a 500,000 baht bail, and two other officials were released two days earlier.

Exercise of Caution Advised

BK0206141291 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 2 Jun 91

[Text] The government has so far built a 30-kilometer fence and security wall along the border with Thailand from Perlis to Sintok. The Kedah security committee secretary, Raja Yahya Aziz Raja Ngah Ali said the border area from Sintok to Baling was determined by mountain and hill ranges.

The Kedah-Thailand border was clearly defined and there would be no problem identifying it for government servants on duty along the boader areas, he said, when commenting on the detention of 11 Kelantan Forestry staff by Thai authorities last Wednesday. He said so far there has been no reports of trespassing from both countries along the Kedah-Thailand border since an agreement was signed in the 1980's. Meanwhile, the Kedah-Perlis antismuggling unit commander, Deputy Superintendent of Police Jaafar Mohamed Yusoff, advised members of the forestry to be cautious when on border patrol to avoid encroaching into Thai territory.

Minister on Arrest of Officials

BK0306161491 Hong Kong AFP in English 1203 GMT 3 Jun 91

[Text] Kuala Lumpur, June 3 (AFP)—Malaysian Foreign Minister Abdullah Badawi Monday played down local criticism of Thailand's arrest of 11 Malaysian forestry officials, saying bilateral ties were strong enough to weather the dispute.

Mr. Abdullah said that he wanted local officials probing the incident along the Malaysian-Thai border to cool it. "The affair is best left to the Foreign Ministry to settle," he said.

Police and officials in northern Kelantan State, where the incident occured along the Malaysian-Thai border Wednesday, have said the 11 officials were seized inside Malaysian territory and escorted into Thailand at gunpoint.

Three of the Malaysians were later released on bail while the others were being held for allegedly trespassing and felling trees inside Thailand's Narathiwat Province, local press reports said.

A spokesman of the youth wing of Prime Minister Mahathir Mohamed's United Malays National Organisation Sunday demanded the release of the eight officials.

He said Thailand was using the detainees to pry concessions for its fishermen, whom some Thai officials claim are being harassed by the Malaysian Navy and police while passing through local waters.

Thai Prime Minister Anan Panyarachun, who was visiting Malaysia when the arrests took place, said at the end of his two-day visit that he had discussed problems faced by Thai fishermen with Dr. Mahathir.

Mr. Anan, who spoke before the arrest of the forestry officials became public, said that he hoped Malaysia would be lenient with Thai fishermen.

Mr. Abdullah said he would use the extensive goodwill in bilateral ties to resolve the dispute, adding that official reports so far indicated that the Malaysians had not engaged in illegal tree felling inside Thailand.

"With these good relations, we expect to solve the problem through consultations. We don't think bilateral relations will be affected," he said.

Mr. Abdullah said he hoped that Thai authorities would treat the eight Malaysians well while they were being held. "We, of course, want them released as soon as possible," he said.

Minister Hails Sihanouk's SNC Chairmanship

BK0406040391 Kuala Lumpur BERNAMA in English 0339 GMT 4 Jun 91

[Text] Kuala Lumpur, June 4 (OANA/BERNAMA)—Malaysia welcomed the appointment of Prince Norodom Sihanouk as the chairman of the Cambodian Supreme National Council by the four Cambodian factions in Jakarta.

"Prince Sihanouk's appointment augurs well for the Cambodian people and the peace process. Malaysia hopes the Jakarta meeting will be a step forward towards solving the long standing problem," Foreign Minister Abdullah Ahmad Badawi said Monday.

The appointment, made on Sunday, is expected to pave the way for the full functioning of the council as the supreme authority in Cambodia during the transition period before elections are held under United Nations' supervision.

Abdullah said the Cambodian problem had become a classic issue and the warring factions should realise that they had to play their respective roles.

"While there is world interest, the Cambodian people must help themselves... They cannot expect others to continue with the mediating efforts forever."

He said the ninth ASEAN-EC ministerial meeting in Luxembourg also called upon all nations to help bring about an end to the Cambodian problem.

Cambodian Leaders Urged To Work for Compromise

BK0406093291 Kuala Lumpur Voice of Malaysia in English 0800 GMT 4 Jun 91

[Station commentary]

[Text] When there seems to be a faint glimmer of hope for a breakthrough in the Cambodian peace talks currently taking place in Jakarta, the mood has reverted once again to one of gloom and despondency arising from squabbles among the warring factions. The world, waiting anxiously for the return of peace in that battle-scarred country, had felt a sense of relief when the four parties to the conflict agreed to the appointment of former head of state Prince Norodom Sihanouk as chairman of the Supreme National Council, SNC, which was instituted last year with representatives from all sides. The prince, who is in Jakarta at the invitation of President Suharto, will become the 13th member of the council, which is made of six members of the Phnom Penh regime and two each from the three guerilla groups that have been waging warfare to bring down the present government in Cambodia. Prince Sihanouk then announced that Hun Sen would be appointed the only vice chairman of the council. This has been rejected by the Khmer Rouge, which is the most powerful of the guerrilla factions.

The other main area of dispute is over the acceptance of the UN peace plan drawn up by the five permanent members of the Security Council. The plan provides that while the SNC will represent Cambodian sovereignty and occupy the country's seat in the world body, the UN will on reaching a peace treaty disarm the troops of the four factions and oversee key ministries in Cambodia until fair and free elections are held to elect a new national democratic government.

The guerrilla coalition has accepted the UN plan in its entirety. The Khmer Rouge, in particular, objects to any changes being made to the plan. The Phnom Penh government, on the other hand, insists there be some alterations. It dropped a bombshell when it proposed that the plan include a provision for a tribunal to try the leaders of the former Pol Pot regime, which will also include some of the present men at the helm in the Khmer Rouge, on charges of genocide which resulted in the killing of hundreds of thousands of Cambodians during the hated regime's reign from 1975 to 1979.

It is obvious that the Phnom Penh regime is bent on preventing the return of the Khmer Rouge to power in the country. It seems convinced that the Khmer Rouge, having failed to unseat the present government militarily, will use the peace talks as a means of gaining a foothold in a new elected government and the return [words indistinct].

The cochairmen of the Paris International Conference on Cambodia, namely the representative of the UN secretary general together with France and Indonesia [words indistinct] in achieving positive results from the current peace talks. As in the failure of the first two previous talks to resolve major differences pitting the warring factions, the chances of success in the present talks also seem to be clouded in an atmosphere of pessimism.

There are, however, those who are more optimistic about a significant breakthrough in the apparent impasse. Their confidence stems from the fact that the month long cease-fire declared on 1 May has held fairly successfully although the Khmer Rouge has warned that they will resume armed warfare if agreement is not reached by tomorrow. The optimists also feel that Prince Sihanouk's leadership and wise counseling will be a boon to the talks to achieve some measure of success. Many countries, which have been sincere in advocating an amicable solution to the Cambodian problem, are getting wary of [word indistinct] to show their concern. The enthusiasm of the UN itself will wane if the current talks fail. The leaders of the four groups directly involved in the talks have agreed with possibilities of finding a solution to the conflict that has gripped their land for 12 long years. They have to set self-interest aside and work toward compromises in the wider course of peace for their embattled land and their fellow Cambodians.

Mechanism To Enhance Cooperation With EC Noted

BK0306123391 Kuala Lumpur Voice of Malaysia in English 0800 GMT 3 Jun 91

[Station commentary]

[Text] ASEAN has urged the setting up of a consultative mechanism with the European Community aimed at avoiding friction on trade matters between the regions.

The call was timely in view of the numerous trade regulations being introduced in line with the single European market of 1992. The problem stems from the fact that many regulatory aspects of trade were taken by the EC without prior discussion with ASEAN. Surely, such a mechanism will help overcome misconceptions between the EC and ASEAN. Most importantly, it will serve as a useful platform for the exchange of information. There are many issues of contention between European countries and the six member countries of ASEAN. They include tariffs, [words indistinct] technical requirements, legislation and trade practices, antidumping measures, and imposition of duties. Without a doubt, a mechanism [words indistinct] would bring about a significant qualitative and quantitative improvement in the relationship between the EC and ASEAN.

Meanwhile, European countries and ASEAN must continue intensifying their ongoing program of cooperation. This is, in particular, a reference to trade promotion activities and visits of trade delegations. Against the background where the Uruguay Round of trade negotiations has lost momentum, the mechanism will prove in times to come a useful basis for negotiations. It is also encouraging to note that the two parties at their meeting in Luxembourg over the weekend agreed to widen their trade and economic cooperation. Ministers at the talks have called for more collaboration in science, industrial joint ventures, and investments.

Although the two parties have an accord signed in 1980 to enhance economies, it was reviewed at Luxembourg. This is a practical move as the revision takes into account the growing economic links and the rising economic clout of the EC and ASEAN. During the 10-year period from 1980, two-way trade more than doubled to U.S. $35.5 billion a year. The value of trade growth has showed how important it is to continue to maintain and increase trade between the regions. The EC is ASEAN's third largest trading partner.

Of late, ASEAN has complained that the EC does not encourage investments. However, this has caught the attention of the European countries. In a statement after their meeting, both the EC and ASEAN said industrial and investment cooperation should be accorded high priority in their relationship. After all, industrial cooperation is the thrust of economic ties between the two groupings. The EC has promised more investment missions to Southeast Asia. Also, they said efforts would be taken to form joint ventures between the private sectors of both regions. This is indeed good news for the future of EC-ASEAN [cooperation]. The new EC-ASEAN accord now provides for cooperation in a wide range of economic activities such as trade, industry, and energy. Also, the new pact would reduce the emphasis on EC development aid. This is in line with developing countries wanting trade and not aid in boosting their economies.

Another important outcome of the meeting is the assurance that the EC after 1992 will not become a fortress. EC officials have declared that Europe 1992 will not be protectionist or inward-looking. This indicates there is much scope for further cooperation between the EC and ASEAN. Any problems that might crop up could be discussed at the mechanism being proposed by ASEAN. As such, the EC should seriously look to setting up the mechanism jointly with ASEAN as it would be mutually beneficial.

Kelantan Urged To Accept Federal Development

BK0306104091 Kuala Lumpur NEW STRAITS TIMES in English 31 May 91 pp 1, 2

[Text] Kota Baharu, Thurs.—Prime Minister Datuk Sri Dr. Mahathir Mohamed today called on the Kelantan people to accept development brought to them by the Federal Government as these are sincere efforts to improve their lot.

He said the Federal Government would continue to develop Kelantan as it had done in the past.

Speaking at the opening of the $[Malaysian dollar]19 million Pasir Mas Salor bridge, about 13km from here, the Prime Minister said the project was yet another proof of such effort.

Present at the colourful ceremony was the menteri besar [chief minister] of Kelantan, Haji Nik Abdul Aziz Nik Mat. Also present were Works Minister Datuk Leo Moggie, Youth and Sports Minister Senator Haji Annuar Musa and Deputy Works Minister Kerk Choo Ting.

In a jovial mood, the prime minister said: "I hope nobody would try to swim across the river just because they do not want to use the bridge built by the Federal Government."

The large crowd made up of Barisan Nasional and PAS [Pan Malaysian Islamic Party] supporters broke into laughter.

The new 630 metre bridge connects Kota Baharu with Pasir Mas and Rantau Panjang.

The crowd had obviously anticipated the Prime Minister to make reference to the relations between the Federal Government and the PAS-led State Government, but Dr. Mahathir chose instead to take a soothing and sometimes philosophical approach.

However, that did not stop the audience from making their own interpretation on his hour-long speech as was evidenced by the frequent applause and laughter.

State UMNO [United Malays National Organization] leaders commenting on the event, said the audience from both parties had expected the Prime Minister to make strong remarks.

The prime minister said that whatever the Federal Government was doing in terms of development could not be construed as anti-Islam because it had always been committed towards bringing development to the poor.

He said the Barisan National [BN] Government believed in creating as many wealthy people as possible so that they could be taxed to help fund development projects meant for the poor.

The BN Government, said the Prime Minister, felt that it was its responsibility to take the lead in helping the poor so that they could free themselves from poverty.

Dr. Mahathir said he was personally committed to long-term planning of the country's development even though he might not live to see Malaysia attain the status of a developed nation by year 2020.

"We cannot think of only today if we want to progress. We have to plan and execute projects which we had not dreamed we could do," he said.

Dr. Mahathir arrived at the bridge to a traditional Kelantan reception.

The drizzle did not dampen the spirit of the people who converged at the bridge as early as 8 am to witness the ceremony.

Thirty minutes before Dr Mahathir was scheduled to arrive, the road leading to the bridge was already congested. Dr. Mahathir landed at the Sultan Ismail Petra airport about 9.15 am and arrived at the bridge at 10.15 am.

Two Selangor PAS Leaders Defect to UMNO

BK0306105491 Kuala Lumpur NEW STRAITS TIMES in English 1 Jun 91 p 2

[Excerpt] Kuala Selangor, Fri.—Kuala Selangor PAS [Pan Malaysian Islamic Party] Chief Muhayat Haji Yusuf, 38, and Division Assistant Secretary Abdul Rahman Mahfuz, 41, have applied to join UMNO [United Malays National Organization].

Encik [Mr.] Muhayat, who was also a [Selangor] State PAS Liaison Committee member since 1982, and Encik Abdul Rahman handed over their application forms to join UMNO to Kuala Selangor UMNO Division chief Datuk Abu Hasan Omar.

Encik Muhayat, who applied to join the Sungai Tengi Kanan Baroh UMNO Branch, said he decided to join UMNO as he felt PAS leaders were not sincere in their struggle. [passage omitted]

Singapore

Thailand's Anan: ASEAN To Fight Protectionism

BK3105085891 Bangkok Radio Thailand Network in Thai 0530 GMT 31 May 91

[Text] Yesterday evening at 2130 local time in Singapore, which is one hour ahead of Thailand, Prime Minister Anan Panyarachun spoke at the banquet hosted by the Singapore prime minister at the Presidential Palace in honor of the Thai premier who is on an official visit from 30-31 May.

The Thai prime minister said Thailand and Singapore have had close relations for a long time. The two countries shared the objectives of supporting peace and the development principles of ASEAN, as well as the close cooperation of countries in the region. ASEAN countries will join forces to solve economic competition, particularly trade protectionism by certain countries, which challenges the development of ASEAN's economic system.

In conclusion, the prime minister said Thailand and Singapore hold the same view that as long as ASEAN is not ready to work together, the benefits each country possess will be at great risk. Therefore, collaboration will help our countries survive and cooperation will result in the expansion of trade with one another.

Economic cooperation among ASEAN countries will not only strengthen ASEAN but also help expand our links with other countries in Southeast Asia. The cooperation will pave the way for ASEAN to exist in peace and prosperity.

Therefore, amidst the rapidly changing situation, the time has come for us to step forward to show that our two countries are ready to face and solve various problems in order to bring our countries real progress.

Cambodia

Heng Samrin Chairs State Council Meeting

BK0306131691 Phnom Penh SPK in English 1122 GMT 3 Jun 91

[Text] Phnom Penh SPK June 3—The Cambodian State Council held an ordinary working session here with President Heng Samrin in the chair to examine and decide a number of legislative affairs and the conferment of distinctions to outstanding individuals.

The session decided to grant amnesty to some offenders from the Defence Ministry, the Military Court, and the People's Courts of Kompong Cham and Svay Rieng provinces who had shown repentance and mended their way.

It also examined and granted the proposal for conferment of the defence order and victory order to nine outstanding officers and combatants, and the Labour Order to 12 Vietnamese experts who had worked here for the cause of Cambodia. The session also ratified an amendment to the provision concerning the presentation of credentials to certain countries.

Cabinet Approves Creation of Energy Department

BK0306112191 Phnom Penh SPK in French 0204 GMT 3 Jun 91

[Text] Phnom Penh 3 June (SPK)—The Council of Ministers has recently approved the creation of a Department of Energy charged with responsibility for energy issues and research on the development of electrical and thermal energy.

The department, which comes under the Ministry of Industry, is in charge of installing hydroelectric stations and high-voltage cables and promoting energy-related cooperation with foreign countries.

During prospecting carried out between 1961 and 1970, deposits of coal and brown coal were discovered in Kompong Cham and Ratanakiri Provinces in northern

Cambodia, and an oil reservoir about 32 meters deep along the 35 km coast was also found.

State Council Office Supports Cease-Fire Stand

BK0406125491 Phnom Penh SPK in English 1102 GMT 4 Jun 91

[Text] Phnom Penh SPK June 4—The staff of the State Council Office has made a petition supporting the goodwill of the Cambodian party and government towards the maintenance of the voluntary cease- fire.

The petition reads:

"We Cambodians are Buddhist followers and [words indistinct] peaceful, sedate, and polite by nature. We never interfere with our neighbouring countries' internal affairs. We want independence, sovereignty, and freedom like all other progressive people in the world. But [words indistinct] our country has undergone destruction and suffering due to the war waged by hostile forces with the Khmer reactionaries lending a hand.

"Since 1970, Cambodia has sacrificed property and lives to defend their life in freedom, independence, and sovereignty and to constantly contribute to the national reconstruction. Before January 7, 1979, Cambodia was subjected to complete destruction by the genocidal clique of Pol Pot, Ieng Sary, and Khieu Samphan. "Over the past 12 years, with the assistance of powerful countries, the genocidal coalition, especially the Polpotists, have caused so much suffering to the Cambodian people while they were in power, and even now they have not yet renounced their sinister ambition to take over the State of Cambodia by military means.

"We, the staff of the State Council, would like to express our support for the Cambodian party and government which in late 1987 put forwards the policy of national reconciliation and then proposed a cease-fire and cessation of military aid to all Khmer factions under international supervision. [Words indistinct] expression of our goodwill aimed at peacefully solving the Cambodian issue and putting an early end to the Cambodian people's suffering.

"We would like to appeal to all Khmer warring factions to fully observe the voluntary cease-fire until a final political solution to the Cambodian issue can be achieved.

"To ensure an effective implementation of the cease-fire, we call on all countries concerned to immediately stop their military aid to the Khmer sides from now on."

Other petitions expressing support to the Cambodian party and government's stand on the maintenance of the voluntary cease-fire were also made by the staffs of the National Assembly, the Ministry of Defence, the Foreign Ministry, the National Council of the United Front for Construction and Defence of the Kampuchean Fatherland, the Kampuchea News Agency SPK, and by several other ministries, mass organizations, and public offices.

SPK Reports More Cease-Fire Violations

BK0106140291 Phnom Penh SPK in English 1114 GMT 1 Jun 91

[Text] Phnom Penh SPK June 1—About 300 troops of the Khmer Rouge-dominated coalition factions [words indistinct] attacked government positions in three provinces between May 27-29.

On May 27, [words indistinct] troops of the Pol Pot faction were deployed at areas 12 km northwest of Chikreng District, Siem Reap Province. Three truckloads of troops of Sihanouk's Brigade 15 were sent to Anlung Kranh Village 25 km northwest of Stoung District, Kompong Thom Province.

On May 28, more than 100 men of Pol Pot's Division 919, in cooperation with 80 troops of the Son Sann faction, launched a two- hour offensive against a government position 34 km west of Choam Khsan District, Preah Vihear Province.

In the coastal province of Kampot, five reconnaissance agents of the coalition factions on May 29 came into an area 9 km northwest of the provincial town.

SPK: Enemy Attacks More Government Positions

BK0306131091 Phnom Penh SPK in English 1125 GMT 3 Jun 91

[All figures and dates as received]

[Text] Phnom Penh SPK June 3—More government positions in six provinces were under attacks by the Khmer Rouge-dominated coalition troops between May 25-29.

On May 25, 90 troops of the Son Sann faction were sent to an area 6 km northwest of Svay Chek, Banteay Meanchey Province. The following day, 50 other Sonsannians were also dispatched to a field 8 km west of Changha, same province. They on May 27 slammed 122-mm artillery-gun into areas 5 km northeast of Ta Pho.

On May 28 seven Sonsannian scouts carried out reconnaissance in a region 4 km southwest of Svay Chek, Bantey Meanchey Province.

The same day an attack on a government post by the enemy troops was reported in an area 19 km southwest of the provincial town of Kompong Thom. They fired more than 50 shells of 75-mm recoilless gun into three areas 8 km northeast of Sankor, 15 and 5 km northwest and west of Sala Visai, same province.

In Kompong Speu Province, the enemy on May 28 made an attack on a government post 17 km southwest of Sre Klong, Phnum Sruoch District. That day, two enemy soldiers reported themselves to the authorities of Bar Set District, bringing along two firearms.

On May 29, the enemy troops launched an offensive against the government forces in a region 17-18 km northeast of Pailin, Battambang Province. An attack on a government post was also reported in an area 8 km east of Pang Ski, same province. Also on May 29 the coalition troops raided a government position 10 km northwest of

Ph'av, Kompong Chhnang Province. On May 30 the coalition troops engaged government forces at a place 7 km northwest of Kompong Trach District, Kampot Province.

SPK Summarizes Special UN Envoy's Visit

BK0306132291 Phnom Penh SPK in English 1117 GMT 3 Jun 91

[Text] Phnom Penh SPK June 3—Mr. Shah A.M.S. Kibria, special envoy of the UN secretary-general, said here over the weekend that his mission to Cambodia this time was of great importance in finding a solution to the existing problems of Cambodia's war-displaced people.

The day before his departure from Cambodia on a three day visit, Mr. Kibria met with local and foreign pressmen and representatives of the diplomatic corps on May 30, during which he told them of his intention to set up relief agencies for war-displaced Cambodians possibly under the charge of the United Nations Development Program (UNDP). The relief agencies will meet once a month with the participation of a UN representative to discuss measures to promote relief work.

He further said if the plan could be carried out, it would bring positive results satisfactory to all concerned parties, and accelerate humanitarian relief operations to all war-displaced Cambodians living in different camps.

On finacial aid to Cambodia, he expressed his hope for further assistance from the donor countries, which have so far granted a considerable amount, including 1.3 million U.S. dollars from Japan; 500,000 Swiss francs from Switzerland, 100,000 pounds sterling from Britain, and about 40,000 dollars from Australia.

Asked about the possibility of providing humanitarian aid to the Khmer coalition factions, he said he had not yet considered their proposal, adding that it was easier to assess the relief plan for the war-displaced people supervised by Prime Minister Hun Sen's government, but all those problems "could be solved only when there was a cease-fire."

The UN special envoy said he was convinced that the non-governmental organizations would take an active part in providing relief aid to the Cambodian people, especially those displaced by war.

VODK Cites Sihanouk Support for UN Plan

BK0406032891 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT 3 Jun 91

[Text] On 31 May, Samdech Norodom Sihanouk, president of Cambodia and head of the Cambodian National Resistance forces arrived in Bangkok, capital of the Kingdom of Thailand, and issued a statement expressing his joy to be visiting the famous capital of the Kingdom of Thailand.

In his statement, Samdech Sihanouk said: My current visit to Thailand is private, but it is an opportunity for me to express my sincere salutations to the esteemed Government of the Kingdom of Thailand and my profound gratitude to the valiant Thai people who, in the august name of the Thai king, have, for the past several years, given shelter to the Cambodian refugees and firm and noble support to the Cambodian people's just struggle for their right to self-determination and their motherland's independence and territorial integrity.

Samdech Norodom Sihanouk stressed: the so-called Cambodian problem is in fact a problem between Vietnam and Cambodia—the victim of the Vietnamese aggression. I declare my support for the peace plan of the five permanent members of the UN Security Council, and I will support all the decisions that will be made by the 12 members of the Cambodian Supreme National Council.

Son Sann Urges Acceptance of UN Peace Plan

BK0406040091 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT 3 Jun 91

[Text] Son Sann, prime minister of the Cambodian National Government [CNG], held a press conference at the international airport in Jakarta, Indonesia.

During the conference, Son Sann called on Vietnam and the puppets who have been installed in Phnom Penh by Vietnam to accept the UN plan to settle the 12-year Cambodian problem comprehensively through political means.

He added that the three factions in the Cambodian National Resistance and the CNG have fully accepted the framework document dated 28 August 1990 and the draft agreement dated 26 November 1990 elaborated by the five permanent members of the UN Security Council [UNSC].

He also recalled that the four Cambodian factions had accepted these documents on 10 September 1990, adding that these framework documents have been approved by the UNSC through Resolution No. 668 and by the UN General Assembly through Resolution No. 45/3. But the Hanoi authorities have kept rejecting this UN peace plan. He appealed to the international community to continue pressuring Vietnam and the Phnom Penh puppets who have created obstacles barring peace in Cambodia. He also called on Vietnam to withdraw its troops and immigrants from Cambodia.

Concerning the UN role in Cambodia, he said: Only with the United Nations playing a strong and adequate military and civilian role in Cambodia during the transitional period in order to prepare and organize a free and general election for the Cambodian people, can it prevent the Vietnamese troops and immigrants from staying in Cambodia.

KPNLF Supports Sihanouk as SNC Chairman

BK0406120791 (Clandestine) Voice of the Khmer in Cambodian 1100 GMT 4 Jun 91

[Report from Jakarta by Voice of the Khmer editor Pol Ham—recorded]

[Text] The faction of the Khmer People's National Liberation Front [KPNLF] headed by His Excellency [H.E.] Son Sann voiced support for the formula contained in the statement of His Royal Highness [HRH] Samdech

Norodom Sihanouk's Secretariat dated 2 June 1991 dealing with the question of chairman and vice chairman of Cambodia's Supreme National Council [SNC].

In a press release distributed to correspondents in Jakarta at midnight on 3 June, the KPNLF said: After consulting with HRH Samdech Norodom Sihanouk on the question of the SNC chairman and vice chairman and also after discussing this matter with the cochairmen of the Paris International Conference on Cambodia and with the special representative of the UN secretary general, the KPNLF with H.E. Son Sann as chairman and a member of the SNC, voiced full support for this formula and welcomed the samdech as chairman of the SNC, hoping that the SNC would meet soon to prepare the way for a comprehensive political solution to the Cambodian problem.

The communique of the samdech's Secretariat related that during the meeting with the samdech, Mr. Hun Sen had stated that should the samdech become the SNC chairman, he would be the only vice chairman; however, in the case of the samdech's absence, the samdech may appoint any person from the Cambodian resistance as vice chairman who would be a joint vice chairman of the SNC together with Hun Sen and the two joint vice chairmen would take turns functioning as the acting SNC chairman.

No plenary session was held last Monday. Only consultations between delegations took place to discuss the question of SNC chairman and vice chairman and the 26 November 1990 peace blueprint of the big five [permanent members of the UN Security Council]. The meeting on the Cambodian problem will resume Tuesday, 4 June, for its third day of work. If the party of Democratic Kampuchea headed by Mr. Khieu Samphan also lent its support to this formula, the SNC would then start functioning with HRH Samdech Norodom Sihanouk as chairman.

Commentary Urges Implementation of UN Resolution

BK0406055591 (Clandestine) Voice of Democratic Kampuchea in Cambodian 2330 GMT 3 Jun 91

[Station commentary: "The International Community Will Not Allow the Hanoi Vietnamese Aggressors and Their Lackeys—the Traitorous Puppets—To Destroy the Document of the Five Permanent Members of the UN Security Council [UNSC] and the UNSC Resolution No. 668/1990"]

[Text] Upon arrival in Jakarta, Indonesia, the Hanoi leaders ordered their lackey—traitorous puppet Hun Sen—to declare that he would raise a number of issues for discussion at this Jakarta meeting. The issues that puppet Hun Sen would raise up for discussion run counter to the framework document dated 28 August 1990 and the Jakarta document dated 10 September 1990 which were accepted by Vietnam and its puppets.

What are the purposes of the Hanoi authorities in ordering puppet Hun Sen to do this? It is in order to ruin the Jakarta meeting, thus hindering the process to settle the Cambodian problem, and then destroy the documents of the five permanent members of the UN Security Council [UNSC] to enable Vietnam to further occupy Cambodia.

However, the international community, particularly the UNSC will definitely not allow the Hanoi Vietnamese aggressors and the handful of Vietnamese puppet-traitors in Phnom Penh who are suffering desperately to do anything at will.

The international community, particularly the United Nations and the Paris International Conference on Cambodia [PICC] cochairmen have clearly specified that the 2-4 June Jakarta meeting will hold further discussions on everything agreed upon by all parties concerned during their previous meetings. These agreed issues are that the four factions have fully accepted the framework document of the five UNSC permanent members dated 28 August 1990 as the sole basis for a comprehensive political settlement of the Cambodian problem and agreed to set up the Supreme National Council under a six-plus-two-plus-four-plus-one formula in which Samdech Norodom Sihanouk would be appointed as the chairman. According to the Paris joint statement dated 23 December 1990, the four Cambodian factions also agreed on most of the fundamental points of the draft agreement dated 26 November 1990 and agreed to hold the meeting of the PICC Coordinating Committee as soon as possible.

The framework document dated 28 August 1990 and the Jakarta document dated 10 September 1990 were approved by the UNSC and the UN General Assembly through Resolutions No. 668/1990 and Resolution No. 45/3 respectively. Thus they have become the UN official documents which cannot be amended nor altered. Amending or altering these documents to please the Vietnamese aggressors cannot resolve the Cambodian problem but will only impair the honor and prestige of the United Nations and the UNSC. This is definitely unacceptable to the international community as well as the Cambodian people. They realize that,since UNSC Resolution No. 678 on Iraq has already been implemented, it is now imperative to further accelerate the implementation of UNSC Resolution No. 668/1990 on Vietnamese aggression against Cambodia. Only by so doing will it be possible to quickly end the Vietnamese war of aggression against Cambodia and to defend the UN Charter, international law, and international peace, security, stability, and order.

VONADK Reports Enemy Offensive on Pailin

BK0106040691 (Clandestine) Voice of the National Army of Democratic Kampuchea in Cambodian 2315 GMT 31 May 91

["Report from Pailin Battlefield"]

[Text] 1. Since 1 May the Vietnamese enemies and puppets have not stopped firing.

2. They have instead continued to send reinforcement troops, tanks, and artillery pieces to further attack our national resistance forces on Pailin Battlefield from Phdau, Thnoeng, and Boeng Ampel in the east; Treng and

Tuol Village in the south; and Kamping Puoy in the north. There has been a great many Vietnamese and puppet troops in each front.

3. Between 27 and 31 May, the Vietnamese enemies and puppets continued to attack our national resistance forces east of (Leang Loeun) Hill and at (Ya Vah) Hill near Prey Thom Buon Chuor. There were 28 tanks; 1,200 Vietnamese troops from Divisions 4, 330, and 309; and 400 puppet soldiers from the 4th, 196th, 6th, and 94th divisions, Phnom Penh City's armed unit, fifth Military Region, and Battambang Province's army involved in the attacks.

4. During the aforesaid five-day battle, we killed 360 enemy soldiers and destroyed nine tanks.

5. The plan on launching the offensive against Pailin was mapped out by a delegation of the Vietnamese General Staff sent from Hanoi to Phnom Penh and Battambang and a Soviet military delegation sent to Battambang.

6. The Vietnamese enemies and puppets call for a ceasefire while they continue to ship their troops to carry out onslaughts against our national resistance forces in Pailin and on other battlefields.

Observers following military situation on Cambodia's battlefield were well aware of this.

Pailin Gem Miners Warned

BK0406015391 Bangkok BANGKOK POST in English 4 Jun 91 p 6

[Text] Aranyaprathet—The Khmer Rouge have warned Thais and foreigners in the gem and logging operation in Cambodia's Pailin district that they are preparing to respond to a major Heng Samrin attack and can no longer ensure their safety.

A source close to Thais with business interests in this disputed gem mining district which is run by the Khmer Rouge said the warning was issued over the weekend and that a number of Thais had already moved heavy equipment back across the border into Thailand.

In their warning, the Khmer Rouge claimed an unusual movement of Heng Samrin forces in the area and expected a major attack soon, the source said.

The Khmer Rouge have vowed to keep this gem-rich district and will fight Heng Samrin forces which would prevent them from assuming responsibility for foreigners in the area, the source said.

However, the source said a large number of Thais, Burmese, Karens, and Mon had decided to push their luck as far as possible and are staying on to continue mining and logging.

He said an estimated 50,000 people are some 15 kilometres sougth of the district in Ban Khao Phet, Ban Bo Lang, Ban Wat Rang, and Ban Sanam Bin Kao villages.

As for fighting in the area, the source said it appeared the fighting would be concentrated along the 79-kilometre Highway 10 connecting Pailin and Battambang.

Indonesia

Finance Minister Announces Deregulation Package

BK0406085591 Jakarta ANTARA in English 0635 GMT 4 Jun 91

[Text] Jakarta, June 4 (OANA/ANTARA)—The government has unveiled a new package of deregulation measures pertaining the 'real sector' of the economy, covering industry, agriculture, trade and investments.

The 'June 3 policy package' (Pakjun) was announced by Coordinating Minister for Economy, Finance and Industry Radius Prawiro in a special press conference on Monday.

The new measures, which follows a similar deregulation package in May 1990, will [words indistinct] of Indonesian non-oil/gas export on the international market by increasing efficiency and eliminating burdens arising from a high-cost economy, Coordinating Minister Radius Prawiro said.

Under the new policy package, the government lowers import tariffs on 562 items and tariff surcharges on 365 items, abolish surcharges on 137 items but also increases tariffs on 71 items and surcharges on 39 items.

'This new package reduces the highest tariffs on finished goods (downstream manufacture), mostly to 30 percent, compared to 40 percent under the May 1990 measures, and on raw materials and intermediate goods (upstream manufacture) mostly to 15 percent,' Radius said.

The government also removed direct bans on imports and approved importers of 322 items.

'These measures will contribute to improving the efficiency of the economy as the import costs of domestic manufacturing companies will decrease and the flow of materials previously subject to non-tariff barriers will become smoother,' Radius said.

The deregulation package also frees exports of palm oil and copra and their products. Previously, exports of these items were subject to a quota system.

'Producers are now free to export palm oil and copra and their products and if the domestic market is short of supplies we will simply import to meet the deficit,' Radius said.

The measures also frees imports of livestock products such as beef, chicken and fishery products except for imposing tariffs ranging from 20 to 30 percent on them.

Direct bans on imports of cold-rolled steel coils and sheets and tin plates were removed under the new policy but were maintained on imports of hot-rolled coils and sheets.

Imports of built-up commercial vehicles are still allowed on the basis of quotas set by the industry ministry, but imports can be made only by state-owned PT [Limited Company] Krakatau Steel and PT Panca Niaga.

The door for investments was opened wider under the June 3 policy package.

Palm oil and copra processing industries are open to new investors.

Commercial vehicle and heavy machinery industries are open to new investors under the condition that they export at least 65 percent of their output or achieve local content (use of local components) at the same level as existing industries.

Car component manufacture is also open to new investors.

Payments Not Affected

BK0406085991 Jakarta ANTARA in English 0635 GMT 4 Jun 91

[Text] Jakarta, June 4 (OANA/ANTARA)—The June 3 deregulation package on investment, trade and finance (Pakjun '91) announced by the government Monday will not weaken the position of the country's balance of payment, Coordinating Minister for Economy, Finance and Industry Radius Prawiro said.

Speaking to reporters following the announcement of the deregulation package, the minister said that with the package, a number of trade licensings were eliminated and a relatively high rate of import duty on certain goods was imposed.

He said that the new deregulation was also aimed at increasing the competitiveness of Indonesian products in the world market which would in turn boost exports and increase foreign exchange earning.

The new package is introduced by the government as an effort to reduce non-tariff barriers by imposing a tariff barrier, and to show that Indonesia was consistent with the free-trade system.

Meanwhile, Minister of Industry Hartarto said on the occasion that industrial products whose import duties were lowered included food and drinks (either canned or not), glass plates, papers, tires, house-hold items, commercial motor vehicles, down-stream industrial products, cosmetics and motor vehicle components.

Hartarto said that there were 815 tariff posts whose import duties were lowered.

While those whose import duties were raised totalled 73 tariff posts. These import duties are raised to protect infant industries at home, the minister said.

The government also allows the import—to be carried out by PT [Limited Company] Krakatau Steel and PT Panca Niaga— of commercial vehicles of category I, II, III, IV and V with free import duties.

Minister of Agriculture Wardoyo who was also present on the occasion explained that agricultural products which were freed from trade licensings but subject to import duties and surcharge tax included cooking oil, copra, oil-palm, beef, chicken, fish and fruits.

Philippines

Aquino Remarks on U.S. Budget Process

HK0306140691 Quezon City Radyo ng Bayan in Tagalog 1300 GMT 2 Jun 91

[From the "Ask the President" program with President Corazon Aquino—live or recorded; italicized portions in English]

[Excerpts] [passage omitted] Secretary Manglapus called me from Luxembourg *and he told me that he had not met Assistant Secretary of State Dick Solomon. He told me that [name indistinct] informed him that he could not make it because he is busy attending to a very important matter and that is, the budgetary process going on now in Washington. Actually, we are still in the process of renegotiating. There is still a problem in so far as duration is concerned and also in so far as the compensation is concerned. But I am still hopeful that we will be able to reach an agreement soon.* [passage omitted]

There are some things that are not quantifiable. But anyway, as I've said, we are all working very hard and I think both sides understand each other's constraints. It was in that manner that the Americans have budgetary and legal constraints, and we accept that as something real. We also informed them that these are also our concerns and these are also things that we have to consider very importantly if we hope to have an agreement that will be ratifiable by the senate. [passage omitted]

Aquino, Manglapus on U.S. Extension Proposal

HK0406114991 Quezon City Radyo ng Bayan DZRB in Tagalog 1000GMT 4 Jun 91

[Text] President Corazon Aquino asked Foreign Affairs Secretary Raul Manglapus to carefully study the counterproposal of the Americans for a seven-year extension of their military bases in the country on the condition that they will be given reasonable time to phase out the facilities from the Philippines.

The directive was issued by the president after she received a report from Manglapus about the U.S. proposal. According to Manglapus, the U.S. Government expressed its willingness to abide by the condition of the Philippines for the bases to be retained in the country for just seven years more, but it has requested additional ample time to be able to get totally out after the seven-year extension. The foreign affairs secretary bluntly declared that the position of the Philippine government on a seven-year retention extension inclusive of withdrawal, remain unchanged.

Japan To Impose Conditions on Development Aid

HK0406083591 Manila THE CHRONICLE in English 4 Jun 91 p 9

[By Redempto Anda]

[Text] A new socialist-oriented law that will impose strict conditionalities on the use of Japanese official development assistance (ODA) to developing countries is threatening the Philippines' main source of external assistance.

The bill, sponsored by the Japanese Socialist Party (JSP), seeks to tie official assistance to the recipient country's compliance with internationally accepted standards on environmental protection, including observance of human rights and effective safeguards against graft and corruption.

Two Japanese senators and a congressman, all members of the JSP, yesterday told their counter-parts at the House of Representatives that the proposed bill will allow for a closer scrutiny of all ODA funds extended to the Philippines.

The Japanese delegation, led by Sen Yatabe Osamu, chairman of the Diet Sub-committee on International Economic and Social Affairs, is on a two-day consultation with Filipino legislators regarding ODA and the bases issue.

Japan's pledges to the Philippines, committed during the recent pledging session held in Hong Kong, stand at around $1.5 billion. Of this, $926 million comes from the 17th Yen loan package, $350 million from the Asean-Japan Development Fund (AJDF) and the balance come in the form of grants and the earthquake rehabilitation fund.

The proposed bill, according to Osamu, will be taken up by the Japanese Diet before the end of this year. He said the bill is backed by the majority in the House of Councilors, the Diet's upper chamber, and ⅓ of the House of Representatives, the lower chamber.

The proposed law will, among others, change the structure of Japanese agencies in charge of ODA. It, for instance, aims to create an International Development Cooperation Corporation (IDCC) by merging the existing Overseas Economic Cooperation Fund (OECF) and the Japan International Cooperation Agency (JICA).

The bill specifically provides that "if any development program is found to be detrimental to the natural environment, human rights, lifestyle and cultural traditions of people in a concerned developing area, appropriate measures shall be taken to change programs."

The bill likewise stressed the participation of communities where projects are to be undertaken before any assistance is granted.

As provided also in the bill, the Japanese government will formulate a five-year program on international development cooperation that will include the total funding and priority projects.

Filipino congressmen belonging to the newly formed Katipunan para sa Bagong Demokrasya [Society for New Democracy] (KBD) welcomed the Japanese proposal. Rep Enrico Dayanghirang, head of the group, added they will also file a counterpart bill in the House that will provide for safeguards on the use of official funding assistance.

Military To Import Arms From Eastern Europe

HK0406080591 Manila THE CHRONICLE in English 4 Jun 91 pp 1, 10

[By Manny Mogato]

[Text] Local defense manufacturers are preparing to import from Eastern European countries major parts and components for the development of a locally manufactured armored vehicle, a senior armed forces official said yesterday.

This is the first time the country will be buying military equipment and components from Eastern European countries.

For years, the country has been almost totally dependent on the U.S. for military supplies and equipment, including ships, aircraft and armored fighting vehicles.

Brig Gen Manuel Mariano, the AFP [Armed Forces of the Philippines] Logistics Command (Logcom) chief, said local makers of armored vehicles are scouting for armored-plates markets in Hungary, Czechoslovakia and Germany in an effort to improve their local version of the U.S.-made V-150 armored vehicles.

Similar components and parts that conform with local specification for the 100% locally made armored vehicles were also being sourced from China, the United Kingdom and France.

Apart from armor plates, local manufacturers are also interested in buying "special" tires designed for armored fighting vehicles which are widely produced in Western Europe.

The imported parts and components, according to Mariano, would improve the quality of locally made armored vehicles.

A Filipino manufacturing company, Steelcraft, has produced the first prototype of a locally made armored vehicles, called "Hari-Digma."

The prototype was built last year, with the use of ordinary truck tires and non-ballistic steel, except for the vehicle's turet system, which was bullet-proof.

The four-wheel, 12-speed armored light assault vehicle was designed for urban, rural, rugged and mountainous terrain.

It was fitted with axles, transmissions, transfer case and steering, which are already in service in the armored forces.

The vehicle was powered by a six-cylinder turbo-charged U.S.-made Cummins engine, widely used in major logging, mining and transport systems in the country.

The vehicle was also fitted with machineguns and a number of cylinders for firing smoke grenades and tear gas for anti-riot and police operations.

Mariano said the locally made vehicle is about 60% cheaper than the U.S.-made V-150 vehicles, which were delivered to the country by the Americans under the Philippine-U.S. Military Bases Agreement compensation package.

The Cadillac-Gage-manufactured V-150 would soon be replaced by the more efficient V-300 and the British-made "Simba" [Church] vehicles.

The Armed Forces, however, wanted to develop its own version of the V-150 and the Simba and came up with "hari-Digma."

Mariano said the price of one "hari-Digma" would still be cheaper than the U.S.-made V-150 or the British-made Simba, despite the importation of armored plates and tires from Eastern European countries.

He said the prototype is now being tested by the AFP Research and Development Center (RDC) and the Philippine Army Light Armor Brigade (Palar).

The development of the "Hari-Digma" was pursued under the military's Self-Reliant Defense Program (SRDP) to reduce the armed forces' dependence on U.S. and other Western countries for weapons systems and equipment.

First Quarter Sees Balance of Payments Surplus

HK0406094791 Manila BUSINESS WORLD in English 4 Jun 91 pp 1, 5

[By Ma. Gertrudes M. Chavez]

[Text] After more than a year in the red, the Philippines finally posted a balance of payments [BOP] surplus of $28 million for the first quarter of the year, up 107.6% from last year's deficit of $369 million, according to the latest Central Bank [CB] data.

Compared with the February BOP of $149 million, March's was 81.2% higher. Without rescheduling, the overall BOP position would have incurred a deficit of $160 million.

However, Finance Secretary Jesus P. Estanislao cautioned that the economy is still "in the fragile state of initiating recovery," adding there should be no smugness about the foreign exchange sector.

"Our recent good fortune is temporary and can be traced to non-recurring and non-sustaining development. The over-reliance on reduced outflow of long-term loan funds for converting deficits in the balance of trade and current accounts into a surplus in the BOP is particularly instructive," he pointed out.

The CB said the surplus was attributed to net inflows of long-term loans and improvement in the foreign investment account. Mr. Estanislao noted that gains in medium- and long-term loans were realized because outflows were significantly reduced, down to roughly one-third of the corresponding figure last year.

The loans account registered a net inflow of $246 million in sharp contrast to the net outflow of $968 million in the first quarter of last year, following a substantial drop in loan repayments from $1.728 billion to $449 million. Loan availments also declined by 8.5

to $695 million from last year's $760 million.

Investments

Net foreign investments increased by $28 million to $130 million for the first three months. The CB also noted a significant drop in capital withdrawals by 82.8% to $15 million.

In contrast, net inflows of short-term capital shrank 46.8% to $91 million due to lower net availments of short-term financing under documents against acceptances (DAs) and open account arrangements (OAs).

Revaluation gains, arising from discounts earned through various debt reduction schemes, declined by 86.5% from last year. Unlike last year, there was no major debt buyback operation concluded during the period.

The current account (trade, non-trade, and transfers transactions) deficit further widened by 39.8% to $685 million from last year's $490 million.

Trade Gap

The merchandise trade gap expanded 16.8

to $1.02 billion. Imports accelerated by 7.9% to $3.04 billion while exports posted an increase of 4% to $2.03 billion.

Almost all major import categories surpassed their year ago levels. Importations of capital goods increased 4.5% to $793 million despite the imposition of the 9% import levy. Purchases of raw materials and intermediate goods also went up by 4.6% to $1.41 billion.

However, imports of consumer goods dropped 13.1% to $203 million from $237 million.

The non-merchandise trade surplus contracted to $177 million from $225 million as receipts of $1.16 billion were 4.9% lower due primarily to shortfalls in overseas contract workers' (OCW) remittances, foreign government expenditures, and interest income of commercial banks.

Disbursements for services went down slightly by 1.2% to $987 million mainly as a result of the reduction in interest payments on the country's outstanding external debt.

The drop in interest payments resulted from the declining London Interbank Offered Rate (LIBOR), which has gone down to 6.23%.

Net inward transfers remained unchanged at $159 million as gains in inflows from voluntary relief agencies were offset by the slower release of aid and grants from the American and Japanese governments.

Manila To Raise Money for Debt-Reduction Plan

HK0406091191 Manila THE CHRONICLE in English 4 Jun 91 p 1

[By staffmember Arleen Chipongian]

[Text] The government will raise $1 billion within the year to implement the second phase of the country's debt-reduction program, Finance Undersecretary Romeo Bernardo said yesterday.

To do this, additional loans to beef up the country's remaining $313-million debt and debt-service reduction facility will be sought from international financial institutions.

Bernardo said in an interview that new loans amounting to $200-300 million would be sought from the International Monetary Fund and $150 million would be asked from the Asian Development Bank [ADB].

Earlier, Central Bank Governor Jose L. Cuisia, Jr. said the country would also negotiate for a $300-400 million second debt-management loan from the World Bank.

The availment of more loans for the debt-reduction program is meant to enable the government to cancel a bigger amount of its outstanding foreign public-sector debt, now standing at $5.2 billion.

Assuming the country will pursue another debt buy-back scheme similar to the first phase of the debt-reduction program, and given a 50% discount on Philippine debt papers on the secondary market, the $1-billion facility could cancel $2 billion-worth of foreign debt.

However, the remaining $313-million debt and debt-service reduction facility will retire only about $600 million-worth of external obligations.

Bernardo said the addition to the debt and debt-reduction facility would shortly be negotiated, with the loans tied to the structural adjustment loan (SAL) from such institutions as the ADB.

The finance official added the country would still try to renegotiate for the $300-million parallel financing facility earlier cancelled by Japan Export Import Bank, following the failure of the country to comply with the performance criteria under the extended fund facility program with the IMF. This was supposed to be in place from 1989-91, but was abandoned by the government last year for a short-term, 18-month standby arrangement program.

Of the $313 million remaining debt and debt-service reduction facility that was unused in the first phase of the debt-reduction program, $172 million will come from Japan Eximbank, $91 million from the IMF and $50 million from the World Bank.

The debt-reduction program is a component of the new financial package being worked out by the government with foreign commercial banks.

Another component is the availment of new loans, amounting to at least $250 million from creditor banks via the complementary financing scheme (CFS), with the ADB as principal contributor to the facility.

The cancelled Japan Eximbank loan may be reinstated only after Manila's 18-month standby program with the IMF has expired and been replaced by another medium-term plan.

Creation of Disarmament Body Proposed

HK0406073391 Manila THE CHRONICLE in English 4 Jun 91 p 7

[Text] Senator Leticia Shahani today called for the creation of a national inter-agency body on disarmament under the Department of Foreign Affairs to provide our diplomats and military officers with expertise on disarmament and security developments.

Shahani noted that the country's geographic position, strategic as it is, "should make our diplomats and military officers serious students of disarmament measures and other security developments to give us a better perspective on the decisions we make on our future security relations with the United States and with our Asean neighbors."

"Unfortunately, up to now, no such expertise is emerging," Shahani said.

Shahani said the Philippines should participate more fully and effectively in disarmament conferences specifically those organized by the United Nations.

She pointed out that the country has very little expertise on developments in disarmament conferences specifically those organized by the United Nations.

She pointed out that the country has very little expertise on developments in disarmament policies which are now being implemented by the U.S., the Soviet Union and Europe.

"We are only aware at present of the bilateral military and security relations between the Philippines and U.S. But we should place this in a larger context so that we can understand the intentions and moves of the United States in relation to its worldwide security policies," Shahani said.

Shahani, in the second United Nations conference on disarmament held in Japan, said that there is a growing gap in the capability for arms technology and the information available to experts on disarmament of developed and developing countries.

Six Senators Support Chief Justice for President

HK0406115391 Quezon City Radyo ng Bayan in Tagalog 1000 GMT 4 Jun 91

[By Jojo Ysmael]

[Text] Six senators from different political parties expressed their unified support for the candidacy of Supreme Court Chief Justice Marcelo Fernan for president in the coming 1992 presidential election.

According to Senator Orlando Mercado who instigated the endorsement of Fernan, he has personally spoken to the senators, and they have expressed their full support for Fernan.

Mercado identified the six senators as follows: Senator Edgardo Angara, an independent; Senator Ernesto Herrera of Liberal Party, Senator John Osmena, an independent;

Senator Alberto Romulo of LDP [Struggle of Philippine Democrats]; and Senator Mamintal Tamano of Nacionalista Party.

Tamano said that Fernan has the natural support from the Muslims because his wife comes from the heritage of the sultan of Santolan of Lanao.

Meanwhile, Fernan was a colleague in the abolished National Assembly and was a partner in the anti-dictatorship opposition block of Senator Romulo. Senators Angara, Herrera and Osmena are active colleagues in the Integrated Bar of the Philippines.

Rebel Soldiers Said Urging Military Coup

HK0306053991 Manila Far East Broadcasting Company in Tagalog 0100 GMT 3 Jun 91

[Text] Lieutenant General Lisandro Abadia, Armed Forces chief of staff, has reiterated that the military's professionalism and solidarity remains strong and stable. This was Abadia's reaction to rumors that rebel soldiers have been communicating with military officials who are currently disgusted with the Armed Forces. The rebel soldiers in past days have allegedly been encouraging disgusted military officials to launch another coup d'etat. There are reports that Camp Aguinaldo and provincial commands were receiving information that the Reform the Armed Forces Movement [RAM], headed by former Colonel Gregorio Honasan and former Commodore Domingo Calajate, plans to launch a new uprising.

It is recalled that the RAM led the December 1989 coup d'etat. It is reported that the RAM is presently aided by supporters of active officials who are not happy with the current situation in the Armed Forces.

Document Reveals Communist Rebels Plan Offensive

HK0406085391 Manila BUSINESS WORLD in English 4 Jun 91 p 10

[By Ma. Caridad S. Bautista]

[Text] The Communist Party of the Philippines (CPP) is aiming for a revolutionary offensive within this decade and is shifting to insurrection from defensive guerilla warfare in metro Manila, a National Democratic Front (NDF) document titled "Politico-Military Struggle in the Main Urban Center" published in the PHILIPPINE LEFT REVIEW March this year revealed.

The document also proposes that the communists "can bloody the reactionary state for its total war policy right here in its most protected territory (Metro Manila).

"We are near achieving the capability to render the enemy vulnerable here in the main urban center itself. In fact, some strategic and selected parts of the machinery and personnel of the reactionary state are more open targets here in the city than in the countryside," the paper noted.

The communists are already transforming self-defense units (SDU) in the city "into insurrectional forces (puwersang insureksyonal or PP)." These, they claimed, are secret political formations with military training.

This brings into bigger light the killing last week of a police operations chief and a community leader, Lt Col Nestor Cruz and Anastacio Benito. The CPP-NPA [New People's Army] claimed responsibility for the killings and said they "would step up attacks against those who prey on the common people."

That is the military component of their struggle. In the second component, the political, the strategy of the communists in Metro Manila is to expose vulnerable areas—more so in the political arena.

While the assasination is considered a military offensive, military sources fear the looming nationwide strike will again be used to further the political interest of the CPP-NPA-NDF.

Their fear is not baseless. The document mentioned that "the principal form of struggle in the region is legal and defensive."

For them, the experience of the First Quarter Storm—mass actions, rallies and conflict—remains outstanding." Starting with economic issues, they gradually took on more and more political color until they reached a level of direct and comprehensive struggle against the dictatorship," the NDF said.

In fact, they said, the concept of politico-military [pol-mil] struggle came after people's strikes erupted in a number of urban centers, especially in Mindanao.

Both the political and military component of the communists' struggle in the Metro Manila, they claimed, are firmly established.

In 1985, the Alex Boncayao Brigade [ABB] was effectively placed. "The machinery for partisan struggle," they said, "...was strengthened and expanded after the 1987 ceasefire... and reached unprecedented heights."

They would want not only a repeat of that stage but a more intense one gearing up toward insurrection.

The political and military approach, they said, is important as it is an integral part of the political struggle in the region and an extension of the people's war in the countryside.

"The pol-mil, the combination of the mass movement and partisan struggle (ABB), should aim to neutralize, at one level, and in different situations and methods, the armed and illegal attacks of the enemy here in the city," they said.

Communist Rebels Strengthen Political Campaign

HK0306035491 Manila MANILA BULLETIN in English 3 Jun 91 p 25

[By Wilma Yamzon]

[Text] Calauag, Quezon—Communist rebels have abandoned their camps here and in Laguna to strengthen their political campaign and raise funds in Bicol.

At the same time, military commanders said intense combat operations here against New People's Army (NPA) guerrillas have forced them to move to other places.

In a briefing on anti-insurgency operations, military commanders from the 2nd Infantry Division told Maj. Gen. Arturo Enrile, Philippine Army chief, that communist insurgency has waned here and other neighboring provinces due to the military's counter-propaganda drive against communism.

Brig. Gen. Cesar Fortuno, 2nd Infantry Division commander, said the Army has noted a lull in armed activities by the NPA and latest intelligence reports showed that they have been reorganizing in Bicol to strengthen their political campaign and regain their lost territories in Luzon.

Fortuno said several front organizations of the Communist Party of the Philippines' (CPP) Southern Tagalog Party Committee had been dismantled as some members surrendered and joined the Citizen Armed Forces Geographical Unit (CAFGU).

"There is a demoralization among the ranks of the CPP-NPA here and we are maintaining the momentum to get back communist-influenced territories here," he said.

Enrile told commanders to improve the quality of their patrols in remote areas so that soldiers will not be easy targets of attacks by rebels.

He said the number of patrols being conducted by the Army is not an indication that enemy bases are being disturbed, explaining that these must be complemented with good intelligence network.

He cited the role of the CAFGU in helping the military gather information on NPA activities so that an effective operations can be conducted against rebels.

Enrile also urged commanders to improve the moral and welfare of men in the field to make them efficient and competant in carrying out their missions.

He added that soldiers should also be taught of the importance of having good relations with people, especially in the countryside, by helping them develop their communities.

He directed the Army Logisitics unit at Fort Bonifacio in Makati to set aside about P [Philippine pesos] 200,000 quarterly funds for community development projects of the Army in the provinces.

He said area commanders must also "resector" their men to various places to pinpoint specific problems in a community.

Thailand

Sihanouk Meets President Anan on Way to Jakarta

BK0106151191 Bangkok Army Television Channel 5 in Thai 1230 GMT 1 Jun 91

[Text] Prince Norodom Sihanouk, leader of the Khmer tripartite coalition, stopped over in Thailand last night before leaving for the meeting of Supreme National Council, or SNC, in Jakarta, Indonesia, as an observer. He had a private dinner with Prime Minister Anan Panyarachun, Army Commander and Vice Chairman of the National Peacekeeping Council General Suchinda Khraprayun, Deputy Army Commander and Interior Minister General Itsaraphong Nunphakdi, and a number of high-ranking officials. The dinner lasted more than three hours.

The prime minister granted an interview to newsmen later, saying that it was an ordinary dinner prior to Prince Sihanouk's departure for Jakarta. The prime minister hoped the meeting between the four Cambodian factions would achieve some progress, or at least a certain success.

[Begin Anan recording, in progress] There was nothing special. We talked. I, myself, have long respected Prince Sihanouk because he is a Cambodian statesman who, from the past till the present, has been exerting all efforts in the interest of Cambodians and for his nation. We hope the meeting between the four Cambodian factions in Jakarta will make some progress and achieve certain success. [End recording]

Julio Jeldres, personal secretary of Prince Sihanouk, told reporters that Prince Sihanouk is willing to meet Mr. Hun Sen if Hun Sen wants it.

Prince Sihanouk left Thailand at 1140 today for Jakarta. Meanwhile, Mr. Hun Sen, leader of the Heng Samrin Regime in Phnom Penh, arrived here by Bangkok Airways in transit to Jakarta via Thai International Airways Flight TG 413. Khieu Samphan, leader of the Khmer Rouge, who arrived in Thailand yesterday and stayed overnight in Bangkok, also left for the SNC meeting in Jakarta. The three Khmer leaders left for Jakarta on the same flight.

Delegation Maps Out Guidelines for U.S. Talks

BK0406110191 Bangkok DAILY NEWS in Thai 3 Jun 91 p 7

[Text] Mahidon Chantharangkun, permanent secretary of the Communications Ministry, disclosed the policy for formulating the country's stance on the Thai-U.S. aviation rights negotiations to be held in London on 21 June [date and venue as published].

He said: "On 27 May I called on the Thai delegation assigned to the Thai-U.S. aviation rights negotiations, with Rungrot Siprasoetsuk as delegation chief, to map out guidelines for the Thai stance on the matter. In regard to the overriding policy, we will have to wait for the government's instruction about the direction of the policy, because the issue of Section 301 of the U.S. Trade Act will also have to be taken into account in preparing for the aviation talks. The United States has proposed holding negotiations with Thailand but we have not yet confirmed our participation according to the original schedule. I cannot tell you now about our stance on the aviation talks because we have to wait for furthur details on Section 301, which will have to be taken into consideration in regard to the aviation issue."

An informed source in the Department of Aviation said that it is anticipated that the Thai-U.S. aviation rights negotiations will certainly be postponed until July because Thailand wants to wait and see what the U.S. stance is first. The Communications Ministry has only held a meeting to formulate the stance and will still have to wait for instructions on the policy from Communications Minister Nukun Prachuapmo. The possibility that the United States may impose trade sanctions against Thailand through Section 301 will have to be taken into consideration on the aviation issue. This is a new development in the aviation rights negotiations between the two countries.

A report from the Communications Ministry stated that Thailand will be inclined to have much bargaining power with the United States in the aviation talks, because if the United States cancels its flights to Thailand, it will lose a huge income of 8 billion baht per annum, while Thailand will lose only 700 million baht a year. To make up for the potential loss in advance, Thailand has already opened new flights to some other routes, the report concluded.

Lecturer Criticizes Anan Remarks on Patent Issue

BK0306161191 Bangkok MATICHON in Thai
1 Jun 91 p 8

[Article by Aphisit Wetchachiwa, lecturer of Thammasat University's economics faculty]

[Text] Over the past two months there have been moves to oppose the draft pharmaceutical patent bill which the Commerce Ministry is to submit to the Cabinet for consideration. The moves have been satisfactory because the people and the mass media have shown greater awareness and understanding over the issue. And now an overall review of the draft bill is taking place.

In addition, from the remarks given by members of related committees, Commerce Ministry officials, and officials from the Federation of Thai Industries, we can see that they have created greater understanding of the critics and opponents' opinions.

However, an unexpected event has occurred. The prime minister said during the "dinner talk" organized by the Federation of Thai Industries that critics and opponents of the issue had superficial knowledge and did not base their arguments on evidence and facts. The critics think that they are always right and always claim to serve the interests of the poor, but do not take into account the poor people in the export sector and the real situation of Thailand's bargaining power vis-a-vis the United States.

Not only does his speech show that he does not understand the opponents' stand, but it also shows his confusion over the pharmaceutical issue as well as reflecting his government's administrative methods. In order to avoid further confusion and to point out the dangers of the government's administrative methods, it is necessary for me to publicize the facts as follows.

The critics on the patent issue have taken into account the interests of all parties concerned. There are many economists among the opponents and no economists are uninterested in the export sector. As a result, if the prime minister paid attention to the opponents' opinions, he would find that this group of people never said the patent law could not be amended. But these groups have suggested that amendment of the patent law should be done carefully by including provisional articles so all parties concerned will have time for adjustment.

Importantly, the measures of the present law in preventing a monopoly of patent holders should be maintained or strengthened, and not be scrapped as proposed.

Besides, the accusation that the opponents have superficial knowledge is quite strange because the group comprises economists, pharmacy lecturers from Chulalongkon University, and legal experts, especially intellectual property experts.

The person with superficial knowledge is the one claiming that there are only three countries that do not provide patent protection—the countries listed as priority foreign countries—although the World Intellectual Property Organization says there are over 40 countries.

The person with superficial knowledge is the one citing the figure that over 90 percent of medicines are no longer under patent protection while failing to mention the further details given by those who have studied and supplied the information, which is that this figure is not a good indicator of what damage will be done by patent protection.

The person with superficial knowledge is the one who says that the government cannot prevent what will happen in the future, without considering that the government can take measures to prevent losses that may occur in the future.

And the person with superficial knowledge is the one who has not studied other governments' struggle against the United States under Section 301 and who says merely that Thailand must move towards the United States' position.

Importantly, there is evidence that the critics are not superficial and do not think they are 100 percent correct. The critics have tried to discuss this issue with the government. But the government has refused to talk about the details or the technical aspects of the draft bill.

Moreover, what the critics have seen of this government's moves is cause for concern, especially its undemocratic administration of the country.

This government was appointed following the seizure of power. It is a government without a strong opposition or National Assembly to check its work. Instead of trying to listen to the others' opinions when there are criticisms, the ministers concerned have acted arrogantly, looked down on other people by accusing them of not having knowledge, and used the methods of the Gestapo. The prime minister is well aware of this.

The prime minister's speech on that day will only encourage such attitudes and methods instead of leading to the strengthening of weak points. Several parties concerned considered his speech to be merely aimed at defending his ministers, who had been criticized by various groups for their mistakes, and at destroying the credibility of the critics.

To describe the critics as emotional and unreasonable and to claim to serve the poor people's interests is a method that dictatorial governments like to use. So, it is not strange that such methods are being used at this time.

We can only hope that this government will try to improve its administrative methods and be more open during the rest of its period in power by disclosing its policies in order to solicit opinions from other parties instead of just informing the public of its policies.

Finally, his remarks on attitude, ideology, and democracy, and his concern with poverty must be proved by deeds, not by words given in front of foreign correspondents and businessmen.

Before I did not believe someone's opinion that an appointed government would be dictatorial or an interim government would only solve immediate problems. But I am not sure now.

But if someone calls me and says that two-faced behavior or the attitude of merely thinking of the interests of his own group or of the government's stability rather than of correctness and national interests is a distingushing characteristic of only elected professional politicians, I can say fully now that this is not true.

Paper Urges 'Economic Boycott' Against Burma

BK0406013791 Bangkok THE NATION in English 4 Jun 91 p A8

[Editorial: "Shut Rangoon Off"]

[Text] Recent reports that medical treatment is being systematically denied to suspected Burmese dissidents and that medical personnel in Burma are being harassed only confirm what many observers have suspected for a long time: that the Rangoon regime has moved beyond its usual abuses to a point of brutality that has only been exceeded in recent times by the Khmer Rouge. The British weekly The Economist recently called the system Burma is now living under a "thugocracy". A more apt one-word description would be hard to find.

The point is not so much that the human rights situation in Burma is miserable; that has been common knowledge for quite some time. What is new are indications that Rangoon is indulging in repression simply for its own sake. Breaking up street protests, incarcerating dissidents and gagging the opposition can all be justified in a Stalinesque way, by the need to keep oneself in power at a time when the country is obviously, overwhelmingly opposed to your rule.

But what has been happening recently in Burma exceeds the "rules" of pragmatic authoritarianism—reports of torture becoming "routine" in jails, random detention of civilians, and absurd sentences—essentially indefinite imprisonment—for lower-level oppositionists who pose no conceivable threat by this point to the regime. The descriptions of new torture methods that now come from opposition sources and the news that hospitals have been ordered not to treat wounded demonstrators are reminiscent of nothing so much as Idi Amin's Uganda or Cambodia under Pol Pot. It is as if the regime has already kicked their populace down into the ground, but now want to rub their nose in it.

Whether this situation is due to a complete breakdown in civil society, a particular kink in the nature of the Rangoon leaders or sheer sadism is up to debate—a debate that will be relevant only in retrospect. At the moment, the concern is stopping the detentions, the deportations and the torture.

At the same time, we have the sight of Prime Minister Anan Panyarachun rejecting an appeal by the European Community to Asean for putting pressure on Rangoon for reform. The premier was correct in joining with Asean in rejecting the call—but for the wrong reasons. Premier Anan said that trying to pressure the military junta into changing was "alien to Asean's way of doing things". Sad, but true.

Asean should not isolate the Burmese government because the EC or the United States or any other nation wants them to; they should take such action out of their own exhaustion and repugnance at Rangoon. But of course, governments do not act in such ways, so it may be helpful to cite some "pragmatic" reasons.

A democratic Burma would be a stabilizing force in the region and a very useful friend to Asean in a geopolitical sense. A democratic Burma would provide much more stable and ultimately more profitable investment opportunities than the current "investment" in looting Burma's natural resources—which will eventually run out. And contrary to thinking in some circles, a democratic Burma would be less of a military threat to Thailand and the region than a Burma under the present regime, as it would be impoverished, dependent on Thai and other outside aid, and much more predictable.

Thailand could also look forward to a normal situation on its western border, without a constant influx of asylum-seekers, problems with rebel ethnic forces or the occasional cross-border shellings and incursions that have now become a part of life for some unfortunate Thai villagers.

But in Luxembourg last week, Asean's foreign ministers said in a joint statement that sanctions would ruin the chances of reforms by Burmese military leaders. This smacks of protection of self-interest. The foreign ministers cannot be unaware that soon after the August 1988 suppression of the democracy movement by the military, the Rangoon regime was on the verge of bankruptcy because of what essentially was an economic embargo by the outside world. Only economic deals with regional countries has kept the regime afloat and able to buy the arms it needs to survive.

The answer to Asean's problem neighbour at this point is an economic boycott. The surest way of extending the shelf-life of the regime, on the other hand, is continuation of status quo relations.

But there can be no justification at this point for continued normal relations with a government that has completely contravened standards of decency, shrugged off all its responsiblitvies and sold its country down the river. A policy of engagement will only allow the Rangoon regime to entrench itself further and indicate to it that it will be accepted no matter what it does in the future—as Prime Minister Anan is certainly aware.

Review of ASEAN-EC Talks in Luxembourg

BK0406121391 Bangkok Voice of Free Asia in English 1500 GMT 3 Jun 91

[Commentary: "EC, ASEAN To Settle Cooperation Accord"]

[Text] The European Community or EC and the ASEAN nations of Southeast Asia began to hold talks in Luxembourg on the two most important topics to strengthen their 11-year cooperation agreement and to urge EC speeding up trade talks. On last Friday, foreign ministers of the EC and the Association of Southeast Asian Nations or ASEAN agreed after two days of tough negotiations to broaden the 1980 agreement and refocus it on industry and investments. Luxembourg Foreign Minister Jacques Poos said the EC had assured ASEAN that the community would not become a closed fortress in January 1993—the date when the community emerges into one single market with no internal barriers between its 12 member states.

However, ASEAN now is still concerned about being shut out by the single market and the EC's growing links with eastern and northern Europe and other regional trade groupings. ASEAN has been worried by the EC's new tendency to link trade and aid with human rights criteria, and by a campaign among environmentalists to boycott tropical products to protest the cutting down of forests.

It was reported that the earlier meeting of foreign ministers became acrimonious over different interpretation of human rights and environment. But, EC said that a brief statement in a final joint declaration on the principles of human rights was not aimed specifically at ASEAN countries. ASEAN, however, managed to insert a clause which applauded the growth of democracy and human rights and recognized that economic development is as much a human right as the Western definition of individual and political rights.

The two sides said a revised cooperation agreement is necessary to reflect developments in ASEAN countries and make them partners with the EC rather than just aid recipients. The new agreement will recognize ASEAN's wish to strengthen scientific, technical, industrial, investment, research, and cultural contacts with the 12 members of the EC. The EC agreed to encourage trade promotion, new investments in ASEAN countries, and joint ventures between businessmen in the two regions.

The EC also agreed on programs to help ASEAN countries manage and conserve their forests and sell timber products. However, the EC noted the need to balance environmental protection against economic development and pledged to work together on ecological problems. On the global trade issue, the ASEAN countries has launched a strong plea for rapid conclusion of free trade talks under the General Agreement on Tariffs and Trade and blamed European Community farm subsidies for hampering their progress.

During the meeting, ASEAN ministers said they were afraid that if the GATT trade talks were not successfully concluded soon, they would have no real guarantees that trade barriers would not be erected to shut them out of the single market. Before this, ASEAN countries, under pressure on the issues of trade and human rights, issued a strong statement at the end of Saturday's meeting of economics ministers calling for EC concessions in the GATT talks. ASEAN said they were disappointed that there had been so little progress since the Uruguay Round of trade talks under GATT collapsed in Brussels last December. ASEAN called on the EC for an early and clear political signal on farm subsidies and warned that if this was not quickly forthcoming, the world could slide into escalating trade wars and protectionism.

In general, the meeting between EC and ASEAN foreign and economic ministers ended up with quite successful results. It was great opportunity to hold international forum for discussion on [words indistinct]. We hope that the principles in trade and cooperation between the EC and ASEAN will come closer especially on GATT trade talks.

Party Holds First Strategy Meeting Since Coup

BK0306040991 Bangkok THE NATION in English 3 Jun 91 p A3

[Text] Phalang Tham Party members at an assembly yesterday foresaw an even greater sweep for their party in Bangkok when the next general elections are held but sidestepped the crucial question of whether their leader Chamlong Simuang would resign as Bangkok governor to run for a national seat.

The assembly, attended by about 450 party members, was the first of its kind since the military ban on political activities was scrapped last month.

Speaking to reporters after the meeting, party executive Adm Siri Sirirangsi said his party expected to capture about 20 House seats in Bangkok—once the political stronghold of the party's arch-rival, the Prachakon Thai.

Siri is responsible for nominating party candidates to run in Bangkok.

In the last general election in 1988, Phalang Tham won 11 House seats in Bangkok at the expense of Prachakon Thai, whose seats declined to 20.

Prachakon Thai leader Samak Suntharawet was cleared of corruption charges last week after being been named as one of 25 former Cabinet members or politicians suspected of having amassed wealth illegally.

Speaking at the same press conference, ACM [Air Chief Marshall] Arun Phromthep, a party executive who chairs a committee to choose party candidates, said his party might join a coalition after the next elections if the coalition members' policies did not differ much from those of Phalang Tham.

Arun, chief adviser to Bangkok Governor Chamlong, did not name any parties that could fit the criteria. Phalang Tham has repeatedly proclaimed itself as a non-aligned party.

Arun said the party was planning to approach several public figures to run in the next election.

One of the individuals approached by Chamlong himself was Dr Krasae Chanawong, a failed candidate in the 1985 Bangkok gubernatorial election, Chamlong said yesterday.

Krasae, who observed the meeting yesterday, said he had yet to consider whether to accept the invitation.

Several members of the committee choosing candidates, meanwhile, reiterated that this year Phalang Tam would run candidates only in areas where the chances of winning are high. The committee would consider their chances based on the results in the last elections.

—Chamlong on Saturday voiced opposition to any move calling for the extension of the military term of Supreme Commander Sunthon Khongsomphong, due to retire in October.

Maj Gen Chamlong said he did not agree with the extension of Gen Sunthon's tenure as he felt that a person who is supreme commander should be in good health and be decisive.

"I think that does not apply to a 60-year-old person," he said.

Chamlong said the extension of Sunthon's military term would also block opportunities for other senior military personnel scheduled to retire between 1992 and 1995.

Navy Commissions Chinese-Made Frigate

BK0206054891 Bangkok XING XIAN RIBAO in Chinese 31 May 91 p 4

[Text] The Royal Thai Navy [RTN] frigate Chao Phraya, which is one of the four frigates the Navy ordered from the Shanghai Hutong Shipyard of China, was officially commissioned at the Sattahip Naval Base on the afternoon of 29 May.

This is the first batch of navy ships that Thailand has ordered from China. Having a displacement of about 1,924 tons, the frigate Chao Phraya is worth about 1.7 billion baht. It is 103 meters long and 11.33 meters wide, with a maximum speed of 30 knots. The frigate can carry 168 soldiers.

Besides the frigate Chao Phraya, the RTN also placed an order with China for two other frigates having a total displacement of more than 4,000 tons. They are expected to be delivered several months from now.

Vietnam

Statement on Sihanouk-Hun Sen Agreement

BK0406062291 Hanoi VNA in English 0602 GMT 4 Jun 91

[Text] Hanoi VNA June 4—The Vietnamese Foreign Ministry spokesman today issued a statement welcoming the agreements reached between Chairman Hun Sen and Prince Norodom Sihanouk and described the current meeting of the National Supreme Council (SNC) in Jakarta as a new and important step of development in the search for an overall political solution to the Cambodian question.

The statement reads in full: According to foreign reports, a meeting of the Supreme National Council of Cambodia opened in Jakarta, Indonesia, on June 2. The same day Chairman of the Council of Ministers of the State of Cambodia Hun Sen and Prince Norodom Sihanouk met and agreed on a number of important issues. They agreed that Prince Norodom Sihanouk is president, and Hun Sen, vice president, of the National Supreme Council [SNC] comprising seven members of the State of Cambodia and seven members of the opposition Khmer factions. Prince Sihanouk and Chairman Hun Sen also agreed to continue the cease-fire.

This is a new and important development in the process of achieving an overall political solution on Cambodia. Vietnam welcomes and highly values the meeting and the agreements between Prime Minister Hun Sen and Prince Norodom Sihanouk. Vietnam reaffirms its earnest desire to see an early overall poltical solution to the Cambodia issue. Vietnam hopes that the agreements already reached between Prince Sihanouk and Hun Sen, the SNC meeting in Jakarta will reach agreements on issues concerning Cambodia's sovereignty aimed at achieving an early overall politcal solution to the Cambodia issue. Vietnam will, together with other countries, respect all decisions of the SNC on issues concerning Cambodia's sovereignty.

Khmer Rouge Seen as Obstacle in Cambodian Issue

BK0306152291 Hanoi Voice of Vietnam in English 1000 GMT 3 Jun 91

[Station commentary]

[Text] The current meeting of the Supreme National Council [SNC] of Cambodia in Jakarta, Indonesia, has captured much public attention. Here is our radio's comment on this event:

Whenever the Cambodian opposition factions sit together, people talk about them, especially about the Phnom Penh government and the Khmer Rouge. Before this meeting, which started on Sunday [2 June], many foreign delegations from France, Britain, Canada, Australia, the United Stated, the FRG, and the United Nations visited Cambodia. They all have contacts with top leaders of the State of Cambodia and acknowledged the great effort made by the Phnom Penh government and people in national reconstruction and their goodwill and correct policy in solving the Cambodian issue. It is important that they all recognized the Phnom Penh government as the worthy representative of the Cambodian people in the world. They also admitted that the State of Cambodia plays an undeniable role in the SNC as well as in Cambodia.

Meanwhile, the genocidal Pol Pot regime has been mentioned with hatred. The conference of foreign ministers of the European Community and ASEAN has issued a statement affirming the necessity to prevent the Khmer Rouge from returning to power in Cambodia. They recalled that any peace solution to the Cambodian issue must rule out genocide. Mrs. Danielle Mitterrand, the wife of the French president, who just returned from Cambodia said that in face of the horrors committed by the Khmer Rouge, one no longer knows what to say because what had been done by them was (?beyond belief). For this very reason, upon his arrival in Jakarta for the SNC meeting, Chairman of the Cambodian Council of Ministers Hun Sen demanded the trial of the ringleaders of the genocidal regime. Worthy of note is that the SNC meeting is being held while the Khmer Rouge shows no goodwill and do not observe the ceasefire. Even [words indistinct] the meeting held in Jakarta, they declared to continue the war after the meeting if it does not satisfy their demands. This action shows that the Khmer Rouge is still an obstacle to the settlement of the Cambodian issue.

Thai Officials Pose Proposal on Oil Exploration

BK0106161091 Bangkok Voice of Free Asia in Thai 1030 GMT 1 Jun 91

[Text] According to a source at Government House, a group of high-level officials from Thailand paid an unofficial visit to Vietnam on 25-29 May. They are: Wira Susangkorakan, deputy industry minister; Wisit Noiphan, director general of the Mineral Resources Department, and Thongchat Hongladarom, board member and manager of the Petroleum Exploration and Production Company, Petroleum Authority of Thailand. During the visit, the group discussed with high-level Vietnamese officials of the Heavy Industry Ministry, Science and Technology Ministry, and Vietnam's national oil company Petro-Vietnam.

Vietnam expressed interest in Thailand's proposal during the discussion. Vietnam looks forward to Thailand becoming its market for petroleum products in future. In the past, Vietnam paid no attention to this aspect. As a result of this unofficial contact, Thailand will propose to Vietnam steps concerning petroleum exploration and production. Officials of the Petroleum Exploration and Production Company will hold initial consultations with Vietnam, and Vietnam will send its officials for an observation tour in Thailand.

According to the source, the officials' contact with Vietnam constituted a shortcut for Thailand in achieving a success in a move to explore and produce petroleum in Vietnam. Vietnam has authorized more than ten foreign companies to conduct exploration for the production of petroleum in Vietnam, both onshore and offshore.

Radio Views Increased Foreign Investment

BK0106103391 Hanoi Voice of Vietnam in English 1000 GMT 30 May 91

[Text] The Central Committee of the Communist Party of Vietnam has announced that the seventh national party congress will be held in Hanoi from 24-27 June in Hanoi. The seventh party congress will draw great public attention in view of its important significance to Vietnam's renovation process. In this connection, here is our radio's opinion:

Nowadays, the word "renovation" is always on foreigners' lips when they mention about Vietnam. This renovation process has started since the sixth party congress five years ago and has obtained important achievements. It has been described by a foreign observer as admirable.

In a dispatch released on 28 May, REUTERS noted that Vietnam's renovation, particularly one in economy, has enabled Vietnam to get rid of poverty and (?backwardness). The people here remain poor. But their lives are much better than what they were four or five years ago. Recently Mr. Michael Camdessus, executive director [managing director] of the International Monetary Fund, noted that Vietnam is in the process of implementing an economic recovery program which is exemplary in many respects. As a result, many countries and international organizations have stepped up cooperation, investment, and aid to Vietnam. They do this with strong belief that money invested in Vietnam will help implement the renovation process. So far, over 240 contracts on foreign investment in Vietnam have been concluded at a total cost of $1.4 billion. What more, some 140 nongovernmental organizations have provided $25 million in aid to Vietnam, twelve [times] the amount given three or four years ago. In particular, the Swedish Government has decided to provide Vietnam with an aid equivalent to $94 million in fiscal year 1991-92, a multiple increase over the previous year.

Since the sixth party congress five years ago, Vietnam has experienced a period of great significance. This has been a time for successful implementation of renovation, a time for foreign countries to consider, recognize, and value the results of renovation.

The Seventh National CPV Congress is bringing about great optimism, given that it will [words indistinct] system—renovation, democracy, discipline, and unity. The congress is expected to better facilitate Vietnam's steady advance in renovation process as well as foreign investment and cooperation in this country on the basis of equality and mutual benefits.

Joint Ventures With Overseas Residents Formed

BK0306074391 Hanoi VNA in English 0608 GMT 3 Jun 91

[Text] Hanoi VNA June 3—In 1990, the Vietnam State Commission for Cooperation and Investment with Foreign Countries signed 11 joint venture contracts with overseas Vietnamese for a total value of 23,910,000 U.S. dollars [U.S.D.] of which the latter contributed 9.5 millions.

Nearly 100 companies owned by overseas Vietnamese have formed joint ventures with companies or organisations in the country, mostly in import-export trade.

Most ventures have a turnover of two to three million U.S.D./year and only a few have more than 20 million U.S.D. in annual turnover.

Among them, The Thien Nong Company of a Vietnamese resident in Canada has built an insecticide factory in Hanoi capitalized at 150,000 U.S.D.

'Hostile' Foreign Media Seen Criticizing Reforms

BK0206115791 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 27 May 91

[Article published in "recent" issue of TAP CHI TU TUONG [Ideology]: "Broadening Democracy and Intensifying the Ideological Struggle"]

[Text] In the framework of the current renovation undertaking, the party has guided our people in constantly implementing broad democracy while at the same time strengthening their stance on the ideological front.

Recently, as our party made public the draft documents of the seventh party congress to solicit the opinions of all party members and people, hostile foreign mass media availed themselves of that opportunity to critize the party leadership and our people's cause, discrediting socialism and distorting the truth about Marxism-Leninism.

We are determined to smash the enemy's acts of sabotage and dark schemes on the ideological front and lay bare the fallaciousness of his arguments.

However, some people have said to themselves: It seems that opinions that do not reflect the contents of the draft documents have all been criticized and regarded as hostile. This means that democracy has been cracked down on instead of being broadened. Is this true? What do we think of this argument?

We deem it necessary to make it clear once again that we are resolved to broaden and not crack down on democracy. The real objectives of the process of broadening democracy are to make use of everyone's creativity, bring into full play latent intellectual potential, and secure social justice. More than ever before, implementing freedom of expression, our party members and people have contributed valuable views to the draft documents of the seventh party congress.

Those constructive views are highly appreciated by our party. A very large number of those opinions have been accepted and included in the various documents under review. We have never termed those suggestions erroneous.

Nonetheless, in order to guarantee conditions for the process of broadening democracy to develop in the right direction and prevent the enemy from undermining the cause initiated by our party and people, we must resolutely smash all attempts to undermine the party leadership and cause the masses to lose confidence in the party, as well as all ill-intentioned petitions that have been blown out of proportion and extolled by foreign mass media.

It is easy to understand why sometimes constructive petitions coincide with slanderous arguments by foreign forces. People in charge of psychological warfare overseas usually resort to sophisticated maneuvers by including in their petitions certain shortcomings or goals that we are striving to rectify or achieve. They try with much fanfare to mislead everyone into believing that democracy is virtually non-existent in our society.

As far as the process of broadening democracy and the struggle against hostile forces is concerned, it is necessary to bear in mind the following principles:

The objective of the process of broadening democracy is to bring into full play everyone's creativity in detecting the shortcomings and errors in party leadership so as to secure correct development patterns and proper solutions to the current crisis.

The struggle against hostile forces on the ideological front is to lay bare schemes aimed at distorting the truth by using those mistakes that we have already admitted through self-criticism to discredit our party leadership, belittle our people's cause, and reject the path we have chosen.

The goal of the process of broadening democracy and implementing freedom of expression is to develop Marxism-Leninism—the ideological foundation of the Communist Party of Vietnam—by adding new concepts and screening out those ideas that are no longer compatible with real life situations, thus enriching our theoretical thinking process.

As far as hostile forces are concerned, they want to get rid of Marxism-Leninism, thus depriving the working class of its spiritual weapon.

The process of broadening democracy proceeds according to the law and in keeping with national order and discipline as well as with the highest sense of responsibility toward the nation and party.

As far as hostile forces are concerned, prompted by ill-intentions, they want to undermine current national order and create upheavals in order to overthrow our regime.

The smear campaign against our party and regime and attempts to lend a helping hand to undesirable elements overseas, provide bad elements with classified documents for distribution overseas, and worse still, to collude with reactionary organizations to oppose the revolutionary movement in our country are violations against the state law.

Along with efforts to broaden democracy and hold democratic discussions among the people, let's resolutely struggle against all hostile arguments on the ideological front. At the same time, let's make it clear that people may have different opinions, but this does not necessarily mean that they belong to the enemy.

Our party has always implemented democracy in all domains and has attached utmost importance to democracy on the political and ideological fronts. The current ideological struggle does not aim at suggestions made by our internal organizations. Therefore, we need to encourage all forms of democratic discussions.

Article Exposes Anti-Vietnam Campaign

BK3105094191 Hanoi QUAN DOI NHAN DAN in Vietnamese 15 Apr 91 pp 1,4

[Article by Phan Hai Ha: "Some Traits About the Whole Scene of a Subversive Campaign Against Us"]

[Text] The QUAN DOI NHAN DAN editorial staff has recently received many letters from some cadres, combatants, and people disclosing that some people have listened to the articles written by some Vietnamese which have been carried either on Western radio stations' Vietnamese broadcasts or have been related by other people. What is all the truth about it? What are the contents and purposes of those articles? And what is our attitude toward this issue?

Recently, some Western information media have continuously broadcast "petitions," "open letters," and "suggestions" of some Vietnamese people either at home or abroad. The closer we get to the seventh party congress, the more those "petitions," "open letters," and "suggestions" will increase.

First of all, the BBC broadcast a citizen's petition that was followed by questions and answers in dozens of programs on Saturday and Sunday. At the end of each program, listeners were always tactfully reminded to listen to the Vietnamese program on Saturday of the following week! Through some other means, it has recently got texts of the "views contributed to the draft platform" and "some suggestions and desires" of this and that author which it broadcast on the radios and published in the press. In the coming days, some Western radio stations will increase the air time of their Vietnamese broadcast programs.

Why have some of the Western press and radios been so eager? Do they want to build our party or are they good to our country and people? To help our readers answer those questions, we will cite herein some basic and main contents of those "petitions," "open letters," and "suggestions."

In the "petition of a citizen," the author says that at present we have not had the conditions and abilities to establish a platform but we "should concentrate first of all on the immediate tasks and establish a so-called overall project, and it is hasty and harmful to carry on socialist construction as before even though with more or less renovation." We should step backward and "build the people's democratic regime" and "should determine an overall strategic task that is to build and develop the country." We should not talk about the national defense task. With respect to our country's renovation process, the author concluded that "the renovation is inconsistent and inadequate while dangerous steps backward have been made and there have been too many contradictions between words and deeds, making friends in the world worried, hesitant, and reluctant."

As for the "views contributed to the draft platform" of another author, the question is posed in a rigorous manner "boldly shelving the so-called immediate and long-term objectives of socialist construction" and advising that we should return to the formulation of the platform of "bourgeois revolution of civil rights." The author further maintained that the current undemocratic situation of privileges, prerogatives, bureaucratism, and estranging the masses is due to the fact that "the party has legalized its own interests by Article 4 in the 1980 Constitution." We now have to apply a unique democratic mechanism (even though it is not yet the best) that is the mechanism of separation of powers—the state jurisdiction, the parliamentary and presidential system, pluralism and freedom of the press—which might reduce the danger of party-dominated totalitarianism, even if it is not strong enough to radically eliminate the situation. In the "Some suggestions and desires" article, the author remarked that "the present state machinery is totally incompetent, making the entire society troubled and unable to develop." As a result, the author says "my dream is that the seventh party congress will focus on resolving definitively the two issues: The platform declares the return of all powers to the people-elected agencies and the state, and specifically the disbanding of a series of components subordinate to the party Central Committee as well as local party committees, and the return of rows of houses to the state...." The author further threatened that if the high-ranking leaders of the present party central committee departments do not volunteer to retire and still adhere to their positions, then their whole glorious past will be blotted out because they will be held responsible for the future collapse.

Socioeconomically, the author proposed to build a three-component machinery:

—An economic management apparatus

—A state ruling apparatus (administration, police)

—A cultural and ideological apparatus (to control information media).

The bizarre point of this machinery is that love and righteousness must be eliminated according to the author who said: "Since the market economy takes profits as a base, love and righteousness should not be talked about." and "Being a machinery of officials, it is also impossible to use charity and justice as guidelines."

Finally, the author petitioned: The people must by all means form a people's democratic front to serve as a counterbalance with our party.

Among these authors, one is living abroad and has betrayed the party. He has been an effective collaborator and a mouthpiece for the BBC (Britain). Another is still in the country. They have different view and motives. Were they sincere when they said: "I speak my mind truthfully without fear of offense" or "these are only some ideas and desires, I have no other ambitions because I am already old and weak." As we all know, during the course of contributing suggestions to the party's draft documents, party members, the people and mass organizations presented differing views. Their knowledge, views and wording sometimes conflicted. This is normal and democratic, as they were all correctly motivated by a high sense of responsibility toward the party and country, and in truly wishing prosperity for the people and power for the country. As for the views and ideas of those few people, they conform with the views of some Western information media agencies opposing our party's views and platform. That was why these views could be broadcast over their radios and published in their newspapers.

Their contents of the "petitions," "open letters," and "suggestions" have been prepared by the Western media. Every question and answer has been highlighted and supplemented by articles from the BBC, the RFI [Radio France Internationale], VOA, and LE POINT. The contents of the articles and their plans indicate that this is not at all "a desire" to contribute views to our party's draft documents. Instead, these are painstakingly prepared "schemes" attacking our party and people ideologically and politically, just as our party is enthused about the seventh party congress. This is the unfolding fact. We are not panicking or adopting a seige mentality. Looking back to 1990, with the campaign of "transferring fire to the homeland" exile Vietnamese reactionaries infiltrated the newspapers, magazines and other cultural works demanding for "pluralism, multipartyism, freedom, and democracy," the overthrow of the Communist Party regime, and the disbanding of the Communist Party of Vietnam. They selected "loyal" Vietnamese and established a "leadership committee" to rally forces and select a flag. Hundreds of commandos fostered and trained by imperialist and reactionary forces also infiltrated into our country to build up forces against our people's socialist construction. However, no sooner had they set their feet on Lao territory when they were smashed by the troops and people of various Lao tribes. Some were killed and the remainder captured.

Since early 1991, some Western information agencies have again campaigned to use certain "petitions" and "suggestions" of some Vietnamese to sow doubt, which in turn undermines our people's confidence in the party's leadership and lines. This is to steer our revolution along another path led by another organization.

Recently, along with the ideological and political offensive, on 23 March in Washington and on 24 March in California, the "Phuc Hung Vietnam" [Restoration of Vietnam] organization made its first public appearance to overseas Vietnamese. It officially launched a campaign demanding free elections in Vietnam. Its declared platform consists of two parts:

1. Struggle to liberate Vietnam from Marxist-Leninist control.

2. Build a free, democratic, and prosperous Vietnam that is at peace with the world community.

During the "Phuc Hung Vietnam" ceremony, Nguyen Van Canh said that as it is under severe pressure, "the Communist Party of Vietnam must adopt changes in the upcoming seventh party congress. Otherwise there will be flareups in the country." He added; "There might be an election under international supervision in Vietnam and the oveseas Vietnamese community should pool their efforts to force the communists to abandon their monopoly and use every means to help non-communist candidates win."

Attending those ceremonies were Vietnamese political and social activists in exile such as Dr. Le Phuoc Sanh and Professor Nguyen Van Canh; Bui Diem, the former puppet-Saigon ambassador to the United States; and defeated puppet Army Generals Nguyen Chanh Thi, Linh Quang Vien, and Tran Van Nhut. On the U.S. side were former U.S. Ambassador in Saigon William Colby, (Lemon), admirals (Myers) and (Matthews) and (Dennis Catherine), vice president of the Republican party in Orange County. What a strange meeting indeed! An eight-member delegation of Lao reactionaries in exile led by Vang Pao also attended.

The above is merely a few signs of the continuing and intensified activities of overseas reactionary forces. As for the situation in the country, some people who resented the working class and were members of the former reactionary parties thought this was a "good opportunity" for them to rear their heads. Together with opportunistic, degenerate and politically disappointed elements, they are seeking ways to rally forces and contact reactionary overseas Vietnamese to oppose and attack our people's renovation process.

As we are preparing for the seventh party congress, we can see hostile forces working intensively, cooperating and contacting bad elements inside and outside the country. They are pressuring us politically and in particular ideologically, and through organizational activities to depolarize and to set up an opposition within our ranks.

Be clear-headed, vigilant, and alert in attacking the enemy's plots and maneuvers, primarily on the ideological battlefront. This is old yet useful advice that will never be redundant. This is also one important factor that will make our party's seventh congress a success.

Official Links Lack of Funds, Fertilizer Problem

BK3105152391 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 27 May 91

[Interview with Le Quoc Khanh, director general of the Fertilizer and Essential Chemicals Corporation of the Ministry of Heavy Industry by station correspondent; place and date not given—recorded]

[Summary] [Correspondent] "Dear Comrade, fertilizer for use in agricultural production is an essentially strategic commodity in our country. However, as we know, each year the state has to expend a relatively large amount of foreign currency for the import of fertilizer, mainly urea. So, what is the real situation of our fertilizer production sector at present?"

[Le Quoc Khanh] "According to the figures provided by the Ministry of Agriculture and Food Industry, we need some 2 million metric tons of nitrate fertilizer and 700,000 to 800,000 metric tons of phosphate fertilizer each year now. Altogether, it costs about $250 million. Nitrate fertilizer is mostly imported because the domestic production can meet only 3 to 4 percent of the requirement. As for phosphate fertilizer, the quantity produced domestically can now meet 60 percent of the needs of the entire country."

Most of the northern localities receive an essentially sufficient quantity of phosphate fertilizer. However, the quantity for those in the Mekong river delta is still limited due to transportation problems. The Lam Thao superphosphate plant has now been able to operate to full capacity.

"We are in the process of building a superphosphate plant in Long Thanh district, Dong Nai province, with an annual capacity of 100,000 metric tons. Thus, the output of phosphate fertilizer in the coming years may satisfy 70 to 80 percent of the country's demand. Meanwhile, prices of local and imported phosphate fertilizer are nearly the same."

[Correspondent] "Comrade, can you let us know what is the greatest difficulty of our fertilizer sector at present?"

[Le Quoc Khanh] "The greatest difficulty encountered by our fertilizer sector at present is the lack of capital for production and investment in the development of the sector itself. With its functions of simultaneously producing and directly supplying fertilizer to consumers, the fertilizer sector needs a remarkably substantial volume of liquid assets, because all fertilizer enterprises have to keep locally available raw materials in reserve for at least 30 days and imported raw materials for a period from 90 to 120 days. This, however, does not include the need to use its own funds to buy foreign currency for the import of raw materials."

Investment in the development of fertilizer enterprises also requires tremendous funds because fertilizer plants require infrastructure. For instance, to put the Long Thanh superphosphate plant into production, we need as much as 20 billion dong and to make it possible for the pyrite sorting plant to begin its operation, we need another 8 billion.

To finish the first stage of the expansion of the Lao Cai apatite plant, we must also spend 30 to 40 billion dong. Meanwhile, the funds to be allotted by the state which can meet only 50 percent of the requirements.

[Correspondent] "Comrade, would you please let us know what are the measures to unravel this difficulty and what are the corporation's main targets for 1991?"

[Le Quoc Khanh] "First of all, let me tell you about our targets for 1991. We are expected to produce or process between 350,000 and 370,000 metric tons of phosphate fertilizer this year, an increase of 20,000 to 50,000 metric tons over the 1990 production plan. We will also strive to produce 40,000 metric tons of urea against 22,000 metric tons in 1990 together with some 110,000 metric tons of NTK mixed fertilizer, an increase of 40,000 over 1990."

Regarding the question of development and investment, this year our corporation will strive to make a test run of the Long Thanh superphosphate plant, officially put the pyrite sorting plant into operation, basically finish the expansion of the Lam Thao superphosphate plant's annual capacity of 500,000 metric tons, and complete the first stage of the installation of equipment at the Lao Cai apatite sorting plant.

"Regarding the measures to solve the problem of funds for production and capital construction, we hold that to solve the problem of revolving funds, all production units in the corporation must actively expand the market for their products throughout the country. The difficulty of the fertilizer sector at present is the lack of funds for the circulation of its products." We must also strive to reduce the number of set norms in order to trim production expenses.

"As for the question of foreign currency, we realize that it is necessary to rapidly procure a market for the export of apatite or products that have been processed from apatite, as well as other essential chemicals, in order to create a source of foreign currency to purchase raw materials for the production of nitrate fertilizer."

We must also intensively and fully tap all available sources of pyrite in the country to save foreign currency.

Small, Scattered Mineral Resources Discovered

OW0206145691 Hanoi VNA in English 0617 GMT 2 Jun 91

[Text] Hanoi Vna June 2 — More than 3,000 deposits of solid minerals, mineral water, oil and natural gas have been so far found in Vietnam. Of these, 400 mines of solid minerals, 80 mineral water springs and several oil and gas deposits are under exploitation.

The dominant mineral resources are coal, rare earth, apatite, chromite, tin bauxite, titanium, kaolin, carbonate rocks, building stone, white sand and mineral water.

However, nearly 60 percent of the deposits already surveyed are small and scattered.

Most of the metal and non-metal mine contain multi-component ores. Open-cast coal mines make up only eight percent of all coal mines (excluding the lignite mines in the Red River Delta), and the iron content averages only 30 per cent of the iron ores.

Various international organizations have been helping Vietnam to explore and exploit natural resources. Some projects are funded by the United Nations Development Programme (UNDP) for instance, the survey of underground water resources in the Red and Mekong River Deltas. UNDP has also supplied sophisticated equipment for laboratory analyses of mineral ores. The [word indistinct] is helping in the training of personnel and supplying geophysical equipment in the prospection for solid minerals along the coast.

Vietnamese geologists are cooperating with some foreign companies in the survey and exploitation of gold deposits in various parts of the country.

Nguyen Khanh Attends Award Ceremony for Students

BK0206104991 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 1 Jun 91

[Text] On the occasion of International Children's Day on 1 June, the Hanoi education and training office organized a ceremony to commend and present awards to outstanding students in the capital.

Attending the function were 700 competent students representing 50,000 students from 60 high schools and 540 general schools in Hanoi. Comrades Nguyen Khanh, vice chairman of the Council of Ministers; Tran Hong Quan, minister of education and training; Tran Luu Vy, deputy secretary of the Hanoi municipal party committee; Le At Hoi, chairman of the Hanoi municipal people's committee; and many other comrades were present at the ceremony.

In past years the Hanoi education sector has maintained its good quality in teaching and training while striving to forge the contingent of competent students. It has consistently paid special attention to developing teaching and learning at the high school level.

The Hanoi competent students have participated in many national contests in various subjects. So far 62 students have won prizes; among them, six have won first prizes, 12 have won second prizes, 17 have won third prizes, and 27 have won consolation prizes.

Besides studying, competent students in the capital have also participated in activities of the Ho Chi Minh Communist Youth Union while maintaining good morals and the qualities of loyalty, bravery, and gratitute.

The Hanoi education and training office awarded prizes to 20 outstanding students, and Comrade Nguyen Khanh then cordially talked to them.

Phan Hien Elected Peace Committee President

OW0206100991 Hanoi VNA in English 0623 GMT 2 Jun 91

[Text] Hanoi VNA June 2— Phan Hien, minister of justice, was elected president of the Vietnam Peace Committee at its presidium meeting held here recently to review the work of the committee in the past years and work out plan of actions for 1991 and 1992.

The meeting held that the Vietnam Peace Committee should renovate its contents and forms of activities in line with the present development of the peace movements in Vietnam and the world as a whole.

Peasant Households Recognized as Autonomous Units

BK0106145191 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 30 May 91

[Text] At its recent meeting, the Ho Chi Minh City People's Council recognized peasant households as entities that directly engage in production and as autonomous economic units. This is part of its efforts to shift agricultural production to commodity production.

The city is to give priority to investment in capital constuction in the countryside, create an annual reserve fund of 2.5 billion dong for agricultural supply purposes and another reserve fund of one billion dong for agricultural production insurance. It will also provide needy households with six billion dong to reclaim their wasteland and develop their family economies, marshal 10 billion dong in credit as loans for peasants in 1991, and invest in technology transfer to peasants.

The city is to return to peasants production areas that belong to unproductive state farms, adopt an incentive policy toward certain crops and animals, and loan peasants money to raise domestic animals.

It was proposed that the city exempt all taxes levied on dairy products and reduce by 50 percent agricultural tax for rice-growing areas with low outputs in Duyen Hai and Nha Be districts.

VNA Reports Winter-Spring Rice Harvest Figures

BK0106072691 Hanoi VNA in English 0600 GMT 1 Jun 91

[Text] Hanoi VNA June 1—By May 25, farmers throughout the country had harvested 1,716,000 hectares of winter-spring rice, accounting for nearly 80 percent of the cultivated land.

The southern provinces had finished harvesting with the total output up by 200,000 tons compared with last year. Due to inclement weather the paddy rice productivety in the northern provinces was lower than that in the last crop.

Together with the harvest the farmers had planted more than 928,000 hectares of the summer-autumn crop, accounting for more than 74 percent of the plan.

The southern provinces alone had planted 908,000 hectares.

Australia

Reshuffled Cabinet Members Announced

BK0406044191 Hong Kong AFP in English 0426 GMT 4 Jun 91

[Text] Canberra, June 4 (AFP)—The reshuffled cabinet for the Australian Labor Government's fourth term which was sworn in Tuesday June 4, 1991:

Prime Minister: Bob Hawke.
Deputy Prime Minister and Community Services and Health: Brian Howe
Industry, Technology and Commerce: John Button.
Foreign Affairs and Trade: Gareth Evans.
Trade and Overseas Development: Neal Blewett.
Finance: Ralph Willis.
Attorney-General: Michael Duffy.
Employment, Education and Training: John Dawkins.
Transport and Communications: Kim Beazley.
Treasurer: John Kerin.
Social Security: Graham Richardson.
Defence: Robert Ray.
Immigration, Local Government and Ethnic Affairs: Gerry Hand.
Arts, Sport, the Environment, Tourism and Territories: Ros Kelly.
Industrial Relations: Peter Cook.
Administrative Services: Nick Bolkus.
Primary Industries and Energy: Simon Crean.

Junior Ministers:

Science and Technology: Ross Free.
Small Business and Customs: David Beddall.
Justice and Consumer Affairs: Michael Tate.
Employment and Higher Education Services: Peter Baldwin.
Aboriginal Affairs: Robert Tickner.
Shipping and Aviation Support: Bob Collins.
Land Transport: Bob Brown.
Resources: Alan Griffiths.
Housing and Aged Care: Peter Staples.
Veterans' Affairs: Ben Humphreys.
Defence Science and Personnel: Gordon Bilney.
Local Government: Wendy Fatin.
Arts, Tourism and Territories: David Simmons.

'Analysts' Predict Keating To Resume Challenge

BK0406072491 Hong Kong AFP in English 0603 GMT 4 Jun 91

[by Jack Taylor]

[Text] Sydney, June 4 (AFP)—Former chicken farmer and Primary Industries Minister John Kerin was sworn in Tuesday as treasurer in an Australian Government reshuffle following an unsuccessful leadership challenge by Paul Keating.

Mr. Keating resigned as treasurer and retired Monday to the backbench following his defeat, which commentators here were convinced was only "round one" of what may be a protracted fight to topple Prime Minister Bob Hawke.

Almost every newspaper published Tuesday page one commentary saying Mr. Hawke was looking increasingly like a loser or his government appeared to be in its death throes.

Although Mr. Keating has promised he will be no further threat to Mr. Hawke, most analysts are predicting he will renew his challenge within months, and many think he will be successful.

The promotion gives Mr. Kerin responsibility for preparing a budget by August as well as hauling Australia out of its crippling recession without boosting inflation or worsening the current account deficit.

It coincides with the release of balance of payments figures which showed a renewed trade slump in April had pushed the current account 1.6 billion dollars (1.2 billion U.S. dollars) into the red.

Mr. Kerin's primary industries portfolio has gone to Junior Science and Technology Minister Simon Crean, a former leader of the Australian labor union movement.

Mr. Crean's promotion sparked a storm of protest from leaders of the farming community, who have accused the government of insensitivity in appointing a former union leader with no knowledge of agriculture to the Primary Industries Ministry.

Mr. Kerin, a well-liked wit who describes himself as a "former chicken strangler," is also an economist with two degrees.

According to a recent profile, his humour is described as everything from childish to clever, profane to warped, while some see it as evidence that he is "quirky, bored or crazy."

His jokes about the prime minister are legendary.

Mr. Kerin remains enormously popular with the farming community at the most difficult period in its recent history.

The recession, much deeper in rural areas, has forced hundreds of farmers off the land and reduced thousands of others to poverty.

With eight years in the job, he was Australia's longest serving primary industries minister as well as one of the most successful. In July 1987 he was also given the energy portfolio.

Asked in a recent interview whether he considered himself worthy of elevation to leadership, he said he did not, adding, "I'm amazed that I got this far."

Mr. Kerin said in a radio interview that with the economy expected to "regain a bit of zest" in the approaching financial year, it was important to retain the benefits of the hard decisions made over the past few years.

The government will retain a structural surplus in the coming budget, and will continue to be "as prudent as possible," he said.

"It's very important that we retain all the benefits of the hard decisions that have been necessary to take over the past years," he told local ABC radio.

It was "very important that we maintain a structural surplus," he said.

He said he agreed with Mr. Keating's assessment that there were few areas left for any massive cuts in spending, so containing a possible deficit was yet to be seen.

In the meantime, the government's major priority would be to lower inflation. "It always should be a priority," he said, adding that Australia was headed towards four percent inflation.

"If you can get lower inflation rates you get lower real interest rates, you get some of your fundamentals fixed up and it makes life easier in terms of other economic areas," he said.

Foreign Minister Departs for South Africa

BK0406060691 Hong Kong AFP in English 0539 GMT 4 Jun 91

[Text] Canberra, June 4 (AFP)—Foreign Minister Gareth Evans was on his way to South Africa Tuesday, the most senior Australian official to visit the republic since 1948.

A spokesman said here that Mr. Evans had reached Zimbabwe and would stop over in Mozambique before starting his week-long visit in Cape Town on Thursday. The visit to the former Portuguese colony was a courtesy call with no major events planned, the spokesman said.

Mr. Evans cancelled the European leg of his trip to vote in his Labor Party caucus on a failed bid by former Treasurer Paul Keating to topple Prime Minister Bob Hawke.

The last Australian foreign minister to visit South Africa was Herbert Evatt in 1948.

Wheat Board Said Finalizing Deal With Iraq

BK0106080491 Melbourne Radio Australia in English 0500 GMT 1 Jun 91

[Text] Representatives of the Australian wheat board have gone to Iraq to finalize the sale of 1 million tons of wheat. Radio Australia's Middle East correspondent, Greg Wilsmith, reports the deal would be worth at least $150 million [currency not further specified].

[Begin Wilsmith recording] The decision of the chairman of the wheat board, Clinton Condon, to go to Baghdad indicates the seriousness of the negotiations but Iraq's trade minister, Muhammad Mahdi Salih, says the only way his country has of paying for the wheat is by selling its assets abroad. Iraq's foreign assets have been frozen since the invasion of Kuwait.

The United Nations says that for humanitarian reasons Iraq should be allowed to import food and medicines but as yet no country has signed a significant trade deal.

Britain and the United States have said that they will not normalize relations with Iraq while Saddam Husayn remains president of the country. [end recording]

Fiji

Liberalized Trade With Malaysia Promised

BK2705063091 Hong Kong AFP in English 0629 GMT 27 May 91

[Text] Suva, May 27 (AFP)—Fiji's President Ratu Sir Penaia Ganilau opened a Malaysian trade expo here Monday with a promise to liberalise trade by removing barriers on certain agricultural commodities.

He said Fiji intends to boost economic ties with Kuala Lampur, one of Suva's close trade and political partners in Asia, by cutting protectionist measures.

"International competition will eliminate inefficient industries which have flourished behind protection here," he said.

"Cheap imports should benefit Fiji consumers and exporters from Malaysia."

While Malaysia was doing its part in buying yearly 110,000 tonnes of Fijian sugar, Fiji would purchase 10,000 barrels of crude oil a day from Kuala Lampur from June as a "way of balancing trade between our countries", he said.

Ludin Hasan, Malaysia's charge d'affaires, said the 20 Malaysian-based firms involved in the Suva Expo this week, are keen to invest here.

Malaysia he said, could supply a lot more manufactured goods to Fiji with easier access agreements.

Ratu Penaia attributed growing economic links to several joint venture businesses set up here since the 1987 coups which shook confidence among investors from other Asian countries.

Malaysia's fifth largest bank, Borneo Finance Group, is to open a new project with Fiji's state-owned National Bank of Fiji from June, in which it will hold 49 per cent.

Malaysia's hotel developer Robert Kwok, operator of the reputed Shangri-La chain, owns three of Fiji's resorts.

Its national carrier Malaysia Airlines signed an agreement with Fijian counterpart Air Pacific last September for flights between the two countries.

Rabuka Decides To Refuse Government Post

BK0106074291 Melbourne Radio Australia in English 0500 GMT 1 Jun 91

[Text] The commander of Fiji's Military Forces, Major General Sitiveni Rabuka, says he will remain in the army. He says the decision was handed to him by the President Ratu Sir Penaia Ganilau after a brief meeting on Thursday afternoon.

Maj. Gen. Rabuka told the FIJI TIMES newspaper that he had given three options to the president to choose. They included—becoming the next prime minister and choosing his own cabinet, being the next deputy prime minister and remaining as commander of Fiji's Military Forces, or remaining as commander of the forces and not taking a government post.

Maj. Gen. Rabuka said the third option had been chosen following discussions between the president and the prime minister, Ratu Sir Kamisese Mara. Maj. Gen. Rabuka added that he was happy with the decision as all three options were to his advantage.

New Zealand

U.S. Antarctic Rescue Shows Ties 'Improved'

BK0406090491 Hong Kong AFP in English 0855 GMT 4 Jun 91

[Excerpts] Wellington, June 4 (AFP)—An American Hercules aircraft was late Tuesday heading back to New Zealand after making the first mid-winter landing in Antartica in 22 years to rescue a sick man, Radio New Zealand reported.

Perpetual darkness and temperatures of minus 40 degrees centigrade (minus 40 Fahrenheit) at the McMurdo Sound ice runway meant the plane, flown by U.S. Navy pilots, was flying at the "extreme end of operation conditions," a Navy official said.

Prime Minister Jim Bolger was earlier using the dramatic mission to illustrate his claim that New Zealand's relationship with the United States had been improved under his government, and Foreign Minister Don McKinnon hailed the rescue in parliament.

"The very fact that you can call on a nation like that to fly in extraordinary conditions to Antarctica to pick up a sick person tells you that our relationship with that country has significantly improved," he said.

A New Zealand engineer, Peter Harding, suffering from a bowel infection and blood poisoning, had to be rescued after medical officials decided he could not wait until the first spring flights in four months.

The ski-equipped Hercules, owned by the U.S. National Science Foundation and captained by Commander Bryan White with a crew of 11, left the operation Deepfreeze base in Christchurch at 5.30 A.M. (1730 GMT) for McMurdo Sound, 4,500 kilometres (2,790 miles) due south of here. [passage omitted]

At a press conference Tuesday Mr. Bolger said he wanted to thank the U.S. Government for the mercy flight.

It was gratifying the U.S. air crews had considered the mission worth the risk of flying into Antarctica in winter, Mr. Bolger said.

Wool, Forestry Contracts Signed With China

BK3105091391 Hong Kong AFP in English 0751 GMT 31 May 91

[Text] Wellington, May 31 (AFP)—New Zealand Foreign Minister Don McKinnon said Friday China has signed contracts with New Zealand wool and forestry companies worth several million dollars.

However his office and the Ministry of External Relations and Trade said they could not provide details because of "commercial confidentiality".

Mr. McKinnon said in a statement the contracts were the outcome of a visit to New Zealand by a Chinese trade delegation led by Vice Minister of Foreign Economic Relations and Trade Tong Zhiguang.

Mr. Mckinnon said the success of the visit was a "good illustration of the depth that has developed in the New Zealand/China trade and economic relationship."

He said that while trade was an important element of the relationship, the focus "has turned increasingly to economic cooperation".

The Chinese delegation did more than talk, Mr. McKinnon said, adding, "I was very pleased to hear that they had concluded contracts for the purchase of wool and forest products worth several million dollars during the visit."

The New Zealand Wool Board, responsible for the sale and marketing of the country's clip, predicted Friday that New Zealand's wool exports to China could reach 20,000 tonnes worth around 90 million New Zealand dollars (52 million U.S. dollars) this season, a lift of 5,000 tonnes over last season.

Board Promotions and Research Group Manager Roger Buchanan said Chinese wool buying delegations had been frequent visitors to New Zealand this year.

"There are some encouraging signs of recovery in business to China. They've been active in the market all this calendar year," he said.

Exports to China this season would still fall far short of the 63,000 tonnes recorded in 1989, but were likely to be up from 15,000 tonnes last year, Mr. Buchanan said.

"Exports may approach 20,000 tonnes this year. It's a step in the right direction," he said.

Immigration Office in Hong Kong Under Criticism

BK0206061691 Hong Kong AFP in English 0539 GMT 2 Jun 91

[Text] Wellington, June 2 (AFP)—New Zealand's Immigration Minister Bill Birch has defended the efficiency of the immigration services' (NZIS) Hong Kong office but consultants handling applications have strongly criticised its performance.

Mr. Birch flew to Hong Kong at the weekend for discussions about the service with NZIS officials and consultants and said in a statement issued Sunday by his office in Wellington that he was impressed with the efficiency and dedication of the staff. He said the office had been "transformed" and was turning round applications in four months compared with 12 months two years ago.

He said the office was currently processing 750 applications received so far this year and noted that since July 1990 about 5,200 Hong Kong residents had been approved as migrants to New Zealand.

But Auckland's SUNDAY STAR newspaper Sunday quoted David Lees of Malcolm Consultants in Hong Kong as saying New Zealand had "a very poor image" and immigration policy had not been applied consistently. He said English language requirements particularly were not handled well and some applicants with good skills were being turned down while others with very limited ability were approved.

Auckland-based immigration consultant Aussie Malcolm told the newspaper the NZIS office in Hong Kong was "the most grossly maladministered in the history of the New Zealand Government."

"The human rights of thousands of applicants have been trampled on by an immigration service out of control," he was quoted as saying.

The government is working on legislation to reform the immigration process which will establish a new points system for potential settlers.

Mr. Birch said in his statement that the new system would be in place later this year and was designed to attract a strong flow of migrants with capital and business experience.

New Rules Govern Contacts With South Africa

BK3005053091 Hong Kong AFP in English 0502 GMT 30 May 91

[Text] Wellington, May 30 (AFP)—New Zealand diplomats are to resume "normal professional relations" with South Africa and South African sports officials can now visit here, Foreign Minister Don McKinnon announced Thursday.

But he said the moves did not mean New Zealand was establishing diplomatic relations with South Africa.

"That step had not yet been considered," Mr. McKinnon said in a statement, adding that New Zealand would respect Commonwealth limits on contacts with South Africa.

There has been no change in the basic approach, he said, "but it is necessary and appropriate for the government to respond to developments in South Africa as they occur."

New Zealand's high commissioner in Zimbabwe, Doug Law, met earlier this month with South African Foreign Minister Pik Botha, senior African National Congress (ANC) members and chief Buthelezi of Inkatha, Mr. McKinnon said.

"The current situation in South Africa is very worrying," he said. "It is our hope that all parties will act with restraint and that the political talks can get back on track."

Mr. McKinnon said the New Zealand cabinet had agreed South African sports officials could visit, "subject to them undertaking not to promote sporting competition unless their particular code had fulfilled the conditions laid down under Commonwealth sporting contacts policy."

Consistent with that policy, New Zealand would continue to refuse visas to South African athletes representing sports which have not been unified on a non-racial basis.

"Good progress has been made towards unifying cricket at player and administrative levels and the ANC has given its endorsement to the process," Mr. McKinnon said.

"Other sports, including rugby, are also on the path to integration," he said.

Policy Paper Criticizes Weak Defense Posture

BK2605082091 Hong Kong AFP in English 0809 GMT 26 May 91

[By Michael Field]

[Text] Wellington, May 26 (AFP)—Despite their previous active role in major wars, New Zealanders are now being accused of showing a marked lack of interest in and unwillingness to spend money on defence and taking the "peace dividend ahead of everyone else."

The criticism comes in an official policy paper "The Defence of New Zealand" which makes a case for why the country should maintain a "credible minimum defence force," but concedes there is little will to spend money.

Economic problems have seen defence spending go from 2.1 per cent of gross domestic product in 1988-89 to 1.8 per cent in 1990-91, a drop of about 20 per cent in real terms from spending in 1986-87.

"New Zealand has been taking its peace dividend ahead of everyone else," the report said.

In 1986 New Zealand opted out of the global military status quo when the then government passed anti-nuclear legislation, effectively banning visits here of nuclear powered and armed warships.

The United States cut New Zealand off from any military ties and the result, says the report, has been a drop in the standard of New Zealand forces.

While the military have fretted, the public have shown a marked lack of interest.

The report, released Wednesday to little publicity, struggles against its own factual lineup to convince New Zealand it should have military power.

New Zealand's interests are farflung and its trade is almost totally seaborne with the result that strategy lacks focus.

"The tyranny of distance will always rule our economy and it will always mould our defence planning ... New Zealand is small, isolated and surrounded by great tracts of empty ocean," the report said. The nearest landmass was 2,000 kilometres (1,200 miles) away.

"Our geographical remoteness, without land borders or close neighbours, confers a major defence advantage. We have the world's largest moat."

Few nations had the "very considerable logistic and combat capabilities" to cope with the "formidable sea-air gap" and "none has shown any interest in doing so."

The New Zealand Defence Forces (NZDF) are modest.

The Navy has four ageing frigates, a tanker, a survey ship and a handful of inshore boats.

The Army is tiny and poorly equipped and the Air Force has 14 Iroquois helicopters, six Orion anti-submarine aircraft, five Hercules transporters, two Boeing 727s, nine Andovers, 18 Aermacchi jet trainers and 21 Skyhawks.

The report says the most likely challenges to territorial integrity are those involving customs and immigration and drug trafficking.

New Zealand has a three million square kilometres (1.2 million square miles) Exclusive Economic Zone (EEZ), one of the world's biggest and protecting it is defined as a major military function, but, says the report, many of the assets used to do the job are old and nearing the end of their useful lives.

The report says military equipment here has to be multi-functional—planes able to hunt submarines and watch fishing boats or frigates able to fight battles and fulfill a search and rescue function.

The report suggests some NZDF units, like the Skyhawk jets, might have to be scrapped because they can only serve one function.

"Because New Zealand is a small country with limited fiscal resources we must set prudent goals and pursue them consistently."

New Zealand's area of defence interest, a sixth of the world's surface, contains thousands of islands including the Cooks, Niue, Tokelau and Western Samoa for which New Zealand has defence obligations.

"The most likely threats facing South Pacific nations are threats to their internal security posed by frail economies and burgeoning populations. The threat is far from being theoretical, as Fiji and Vanuatu have witnessed in recent years."

The military geography of the region is one of the most difficult in the world, the report adds.

"There are few centres of population, industry or trade scattered over a vast expanse of ocean. The capacity of many airfields and ports is limited and many other landing-places are guarded by barrier reefs."

New Zealand, the report said, did not have the logistic support to cope, but added "the geographic obstacles that cause us such difficulty are equally effective in deterring any external interference."

'Political Firestorm' Expected Over Budget

BK0306060891 Hong Kong AFP in English 0342 GMT 3 Jun 91

[By Michael Field]

[Text] Wellington, June 3 (AFP)—A political firestorm is heating up in New Zealand as the government prepares next month's budget which is likely to hit middle and upper income earners with the lastest fiscal fashion—"user pays."

Prime Minister Jim Bolger, Finance Minister Ruth Richardson and Welfare Minister Jenny Shipley have warned they have no choice but to cut pensions and make people pay for services they once got free.

They refuse to consider raising taxes and prefer to make people pay for education and health services. But user pays, the Conservative NEW ZEALAND HERALD warned, would be "a tax on families."

For dozens of new government members of parliament, elected to office last October on narrow majorities and facing an election by 1993, panic is growing as it becomes plain the next target are the very people who voted for them.

Former Prime Minister Sir Robert Muldoon, now a government backbencher, said he feared it would be a "black budget" that would turn recession into depression.

"We will know on budget night whether there is going to be a change of government at the next election," Sir Robert said.

The budget is the second punch of a one-two assault. The first was on December 19 when welfare benefits were hacked back, and new rules were introduced to slow the numbers claiming benefits.

The government this year is heading for a budget deficit of more than 2 billion New Zealand dollars (1.1 billion U.S.) but Ms. Richardson remains committed to wiping out the deficit by 1993/94.

The other numbers are gloomy. Out of a total population of 3.4 million, more than 1.1 million depend on welfare benefits which cost the state 10 billion dollars (5.8 million u.S.) a year.

This includes pensioners, the unemployed, single parents, the sick, and their partners and children. Just 1.2 million New Zealanders have full-time jobs.

Welfare costs 14 per cent of the gross domestic product, up from seven per cent in 1975.

The nation's elderly have come to be the biggest burden. The universal pension to those aged above 60 goes to 500,152 people, at a cost of 5.1 billion dollars (2.9 billion U.S.) this year.

Mr. Bolger, while opposition leader last year, promised to link pensions to the inflation index and abolish a surtax on pensions paid to wealthy people.

Both promises have been broken and last week Mrs. Shipley said pensions would have to be cut.

"The status quo is not an option," she said.

Speaking Sunday, Mr. Bolger, who had been in the 1976 cabinet that introduced the pension, conceded it was "clearly a mistake."

"The day of adjustment has come," he said.

"To be fair to those in genuine need, New Zealanders of more than average means are going to have to ask more of themselves and less of the rest of the country."

Rebellion is in the air. New government MP Christine Fletcher said Monday she would vote against any cuts in pensions.

"I would vote against any moves to break the most sacred of our election promises," she said.

Another new MP, Michael Laws, said cutting the pension would be "foolish and unfair."

Government parliamentarian Ross Meurant, urged old people to ring their MPs to express their anger: "There is nothing like the sight of the guillotine to focus the mind of an MP."

Anger is also growing over planned charges in education and health.

Education Minister Lockwood Smith last year promised he would quit as a minister if he could not abolish a fee charged to university students.

In a fit of political naivity, he even signed a declaration promising to go if he couldn't keep his word. Now it is obvious that the charges will go up rather than be abolished, but Mr. Smith has declined to honour his pledge.

All those earning more than 28,000 dollars (16,328 U.S.) will have to pay more for services and this group includes the bulk of ruling National Party supporters.

Unless backbenchers stop the government, the budget will make families pay thousands for education and health services they already pay for in their taxes.

It is a familiar tactic here for a government to say its upcoming budget will be tough to encourage a sense of relief when it doesn't prove to be as bad as expected.

However, Ms. Richardson has demonstrated no such guile so far and when she says it will be tough, she probably means it.

Papua New Guinea

International Aid Pledges Cut by $150 Million

BK0106080691 Melbourne Radio Australia in English 0500 GMT 1 Jun 91

[Text] There has been a cut in international aid pledges to Papua New Guinea [PNG]. The annual meeting on aid to PNG, chaired by the World Bank, saw total pledges for this year fall by U.S. $150 million compared to last year.

Officials at the Singapore meeting said the assistance has fallen because the economic impact of the Bougainville crisis have eased. The meeting of donor countries and international agencies said total aid to Papua New Guinea this year would be about $560 million, which is $150 million below last year's figure.

'Radical' Constitutional Legislation Approved

BK2605034291 Hong Kong AFP in English 0200 GMT 26 May 91

[By Wally Hiambohn]

[Text] Port Moresby, May 26 (AFP)—Parliament in Papua New Guinea rose for its mid-year recess this week after approving some of the most radical legislation in 16 years of independence.

Laws introduced by Prime Minister Rabbie Namaliu's government ban vagrancy, limit the right to protest and deem that people accused of tribal fights are guilty until proved innocent.

But the government failed to get a constitutional amendment which would have allowed the opposition a vote of no-confidence only every 18 months.

And it deferred until July a parliamentary vote on restoring the death penalty, one measure to eradicate what Mr. Namaliu has called a "cancer" threatening this Westminster-style democracy.

The reforms stem from the violent crime, political instability, unemployment and economic woes which have dogged this South Pacific country of 3.5 million people.

The closure of its main export earner, the Bougainville copper mine in May 1989 due to a secessionist war, rocked the country economically and made foreign investors nervous.

In office only four months before Bougainville erupted, Mr. Namaliu, the nation's fourth prime minister, faced the most turbulent period since independence in 1975.

Police and the military were deployed from one trouble spot to another by Mr. Namaliu while he pacified businessmen, telling them it was a typical transition period for a young country.

"No nation can grow from the moment of its independence without facing problems and hardships," he had said.

Reassured, three major mineral and petroleum projects began. The Porgera and Misima gold mines and the Kutubu oil project, which are expected to reap an estimated 2 billion U.S. dollars over the next five years.

True to his word, Mr. Namaliu in the last fortnight introduced reforms to stem crime and attract foreign investment.

Finance Minister Paul Pora said: "The worst is behind us."

The Constitution was changed to cater for the introduction of laws against vagrancy, to curb the stream of rural unemployed to cities where they commit most of the violent crime.

A national youth scheme was approved to help provide qualifications and educate the country's 1.5 million youths.

Laws were changed so that the onus of proof on those arrested in tribal fights would rest on the suspect, not the state.

Legislation was approved banning protest marches and demonstrations without prior approval.

Mr. Namaliu moved to extend the grace period from six to eighteen months before a government faced a vote of no-confidence, but this was blocked by the opposition.

Frequent no confidence votes and party hopping by politicians cause much instability. Three of four prime ministers since independence, including Mr. Namaliu, gained power via no-confidence motions.

"Political stability is far too fragile a commodity, far too critical to be put at risk at this time," Mr. Namaliu said.

Opposition leader Paias Wingti said he preferred to strengthen the party system than change the rules for no-confidence motions.

"It must be stressed here that no government should have any grace periods at all," Mr. Wingti said. "Members of parliament will always continue to switch sides and to trade themselves for the best price on the political market."

To benefit business, laws were passed to establish a national tripartite council of workers, employers and state officials to establish better relations between the sectors and to create an investment promotion authority to entice foreign investment.

When parliament rose Wednesday, no one appeared more relieved than Mr. Namaliu.

"The votes taken so far on the constitutional reforms have reflected a common commitment among members to support sensible change," he said. "We now have an unique opportunity to put greater stability and certainty into our system of government."

Of the proposed change to votes of no-confidence, Mr. Namaliu said: "If this important constitutional change is carried, our people will have confidence in party systems.

"It will also give confidence to our investors who place political stability on the same ranking as law and order."

Mr. Namaliu predicts, with the changes in place, Papua New Guinea's economic growth will rise from below zero to between seven and nine per cent within five years.

The reforms were welcomed by the private sector as signs that the nation's leaders were correcting past mistakes. When they were proposed Wally Lussick, Port Moresby Chamber of Commerce president, said: "After a long wait, this government means business."

Authorities Threaten Police Presence on Campuses

BK2805050891 Hong Kong AFP in English 0339 GMT 28 May 91

[Text] Port Moresby, May 28 (AFP)—Papua New Guinea authorities threatened late Monday to order police and troops onto university campuses to quell growing student protests against a proposed pay rise for the country's politicians.

"If this illogical approach of burning cars does not stop, I will have no choice but have police and Army move into campus to restore law and order," Police Minister Mathias Ijape warned after five students were charged with torching 12 government vehicles at the University of Papua New Guinea over the weekend.

Port Moresby's police chief, Superintendent Emmanuel Hela, said students Sunday stopped the car of the former head of Port Moresby's City Commission, Josephine Abaijah, then tore her clothes and held a cigarette lighter to her nose.

Ms. Abaijah was rescued by other students and driven home, but "police will have no hesitation in following offenders inside the campus of the university to make arrests," Mr. Hela said.

Reports from the north coast city of Lae, 300 kilometres (186 miles) north of here, said students at the University of Technology there had hijacked 10 government cars and taken them onto the campus.

Students at Port Moresby's Dental and Technical College and the University of Papua New Guinea's medical faculty joined a boycott of classes Monday, while the country's ex-servicemen's group and the Papua New Guinea Teachers' Association expressed support for the students.

The ex-servicemen's group is seeking a 28 million dollar retrenchment package for its members from the government.

Meanwhile, Port Moresby authorities banned Monday the sale of liquor at take-away outlets, public bars and taverns.

City Commission Chairman Frank Igo said the ban would stay in force until law and order was restored at the university campus, because "availability of liquor could only incite further destruction of property."

Liquor may now be sold only in hotels, licensed clubs and restaurants.

The Post and Telecommunications Board and the Electricity Commission announced they would not make service calls until further notice. The bodies, which offer the only telecommunications and electricity services in the country, were among those which had vehicles burned over the weekend.

Students have said they would stage a protest march on Parliament, despite Prime Minister Rabbie Namaliu's announcement Friday that the pay increases for politicians would be deferred.

The increases were to have come into effect in July.

Mr. Namaliu said they were being postponed because of the state of the economy, and not because of the protests.

Students To Continue Protests Against Pay Rise

BK2905095891 Melbourne Radio Australia in English 0500 GMT 29 May 91

[Text] Students in Papua New Guinea are to continue their protests against the pay rise for politicians despite an announcement by Prime Minister Rabbie Namaliu that the increases will be deferred for 12 months.

The students said the government must scrap the pay increase altogether for them to call off their protests which had resulted in violence and the burning of government cars in Port Moresby and Lae.

More from Radio Australia's Brian Abbott:

[Begin recording] [Abbott] Police armed with automatic weapons have set up road blocks outside the University of

Papua New Guinea [UPNG] today. Inside, the students are meeting to reject yesterday's compromise offer from Prime Minister Rabbie Namaliu and are planning to escalate their protests until there is a total government backdown on the pay rises.

Vice president for the Student Representatives Council of the UPNG, (Leslie Duvak), said the campaign has gone too far to be called off.

[(Duvak)] We cannot back down. We have come too far to back down. [Words indistinct] I do not think there is any room for negotiations, too. [end recording]

Students Warned Not To Disrupt Classes

BK3105091791 Melbourne Radio Australia in English 0500 GMT 31 May 91

[Text] Papua New Guinea government has warned university students that continued distruption of classes have threatened the government initiatives to improve the university education system.

The Prime Minister Rabbie Namaliu said the government was in the process of securing a major overseas funding agreement to boost education in conjunction with eight universities in the midwestern United States.

He said the agreement would provide up to $40 million [currency not further specified] over a five-year period to boost teaching as well as overseas courses for students. But Mr. Namaliu warns the program would be unable to go ahead without the support of donor countries and agencies now meeting in Singapore.

He said continued disruption of classes at Papua New Guinea's universities would not help secure that support.

Bougainville Civilians, Army in 'Confrontation'

BK2705105191 Melbourne Radio Australia in English 0803 GMT 27 May 91

[From the "International Report" program]

[Excerpts] A co-chairman of Papua New Guinea's civilian Bougainville task force, (Bernard Simeha), claims he has a black eye and bruising after being attacked by Bougainville military commander, Colonel (Leo Nuea). The attack brings to a head the distrust between the military and civilian efforts to solve the secessionist rebellion on Bougainville and restore government services to the island. Brian Abbott reports:

[Begin recording] (Bernard Simeha) told me he was repeatedly punched, knocked to the floor, and kicked by Col. (Nuea) during a confrontation on Saturday [25 May] morning at the military force forward base in Rabaul. Mr. (Simeha) claims Col. (Nuea) flew to Rabaul from Buka Island early Saturday morning after hearing a broadcast by Mr. (Simeha) on Radio North Solomons on Friday [24 May] night.

Mr. (Simeha) says he opposed the plan to send Defense Force engineers to southern Bougainville to begin the restoration of government services because of the danger of clashes between the soldiers and the Bougainville Revolutionary Army [BRA] and also because he claimed the people did not want it. Mr. (Simeha) also says Col. (Nuea) questioned him about the proposed interim legal authority for Bougainville which is being supported by Provincial Affairs Minister Father John Momis. [passage omitted]

The attack on (Bernard Simeha) follows growing hostility between the military and civilian task force led by Father John Momis. The distrust between the two sides worsened dramatically after Father Momis attacked Colonel (Nuea) and the Defense Force over the unauthorized landing on Northern Bougainville on Saturday, 13 April. Just last week, one of Col. (Nuea)'s lieutenants, Major (Penial Nuliga) called for the sacking of Father Momis and his civilian task force in a letter to the editor of the POST COURIER. [end recording]

Western Samoa

Government To Continue To Rely on Foreign Aid

BK0106120091 Hong Kong AFP in English 1008 GMT 1 Jun 91

[Text] Apia, May 31 (AFP)—Western Samoa will be forced to continue its heavy reliance on foreign aid in all spheres of development, Head of State Malietoa Tanumafili II said Friday at the ceremonial opening of parliament here.

Major aid-funded projects now under way include road and telecommunications improvements and a major hydro-electric scheme.

Malietoa said the government planned to continue privatising state-controlled enterprises, promoting the private sector and attracting foreign investment, and would introduce compulsory education.

Malietoa said Western Samoans could take pride in the peace and stability of the last three years, and he described the introduction of universal suffrage in time for April's general elections as the most far-reaching political development since Western Samoa gained independence in 1962.

Parliament adjourned after its opening and is to meet again June 6, when Finance Minister Tuileapa Sailele is scheduled to table his budget.

Court Dismisses Petitions To Overturn Election

BK2905072491 Hong Kong AFP in English 0611 GMT 29 May 91

[Text] Apia, May 28 (AFP)—The Supreme Court Tuesday dismissed two election petitions filed by former parliamentary speaker Aeau Paniamina, who had represented himself in the hearings after his lawyer withdrew.

Judge Glendyn Carter found there was insufficient evidence and no case to answer.

The action confirmed the election of first term MP Mafasolia Papu, the son of opposition leader Va'ai Kolone.

Nine other petitions are yet to be heard, resulting from April 5's general election. The next is set for June 10 when former Prime Minister Tupua Tamasese Efi challenges the election of his victorious opponent Moananu Salele.

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It is probable that in dragging their heels in political reform, party bosses have been seeking to undermine Kaifu, who has tied the fate of his Cabinet to the issue. If Kaifu had been unable to get the extraordinary Diet session on political reforms convened, he would have laid himself open to charges of lack of leadership and his Cabinet would have lost credibility.

Kaifu, about to ascend the international stage once more at the July London summit, cannot allow these things to happen.

Kaifu had a contingency plan, however. If the ultimate humiliation seemed imminent, he intended to call an extraordinary session devoted ostensibly to Japan's participation in U.N. peacekeeping operations.

But, faced with the unwillingness of opposition parties to cooperate, the contingency plan proved no easier to realize than the original plan.

So Kaifu was forced back onto his original line of attack and, campaigning zealously for an extraordinary session devoted expressly to political reform, finally succeeded in winning party executives over.

They apparently caved in to save Kaifu's face. But the price may have been high. According to one rumor, LDP leaders only agreed to hold the extraordinary Diet session on condition that Kaifu step down in October and refrain from seeking another term.

Kanemaru Comments on Presidential Candidates

OW0106133791 Tokyo MAINICHI SHIMBUN in Japanese 31 May 91 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Interview with former Deputy Prime Minister Shin Kanemaru by unidentified reporter in the "To One's Heart's Content" column entitled: "Hashimoto, Ozawa, and Hada—All Are Possible Presidential Candidates"]

[Text] [MAINICHI SHIMBUN] We would like to hear your appraisal of the Kaifu cabinet.

[Kanemaru] Without a doubt, the cabinet is working up a sweat doing its job earnestly, and staking its existence for success. The Keisei-Kai faction rates this point highly, and we have not forsaken Kaifu. If there are more than two candidates, we will hold a presidential election. Of course, Mr. Kaifu will be one of the candidates. He has stated that he will risk his political life for reform; however, practically speaking, it is questionable whether he will be able to settle this tough problem easily. During my political life of over 30 years, I have had a hard time trying to settle the issue of correcting the imbalance of lower house seat distribution by increasing the number of single-seat constituencies by seven, while decreasing the number of multiseat constituencies by eight. Moreover, it has taken three administrations—namely, Nakasone, Takeshita, and Kaifu—to have the consumption tax issue settled. I do not oppose political reform carried out over two or three generations.

It has been my cherished hope to have the political structure reorganized. Adopting a small constituency system would mean starting a system of two major political parties. Since political reform cannot be carried out all at once, it will be necessary to form a coalition government so that this difficult task can be carried out through friendly rivalry, while at the same time people's interests are considered. For this purpose, it is necessary to submit the draft bill by 27 October, which is when the presidential election is scheduled to be held. Even if the extraordinary Diet sessions should fail to come up with a resolution, the task would be carried on by the next generation. It has to be achieved even if it takes two or three generations.

[MAINICHI SHIMBUN] How about the possibility of extending Prime Minister Kaifu's term in office?

[Kanemaru] Opinion polls indicate a lot of support for his administration. It should be considered whether or not other candidates will have the same support. Without a doubt Mr. Kaifu will be one of the candidates; however, it depends on whether or not Mr. Kaifu himself is willing to run. Well, he has been doing his best and there have been no bad rumors.

[MAINICHI SHIMBUN] Will the Takeshita put forward its own candidate to run in the presidential election?

[Kanemaru] If each faction recommends its own candidate, we cannot afford to just look away. If this does happen, however, it will take some coordination.

[MAINICHI SHIMBUN] Do you think it would be desirable to have the party president elected publicly?

[Kanemaru] Yes. Mr. Nakasone has expressed the same view. It would be better to select the president in an open way so that the people will be able to watch and listen.

[MAINICHI SHIMBUN] General Secretary Obuchi has stated that former Prime Minister Takeshita is also a strong candidate. What is your opinion?

[Kanemaru] If no one else runs, and if it is decided that he is the right person, chances are that we would have to persuade Takeshita to run; however, no clear-cut decision has been made on whether or not it will be desirable at all for Takeshita to run. Such feelings must have been expressed as a result of private association between Obuchi and Takeshita; however, since Obuchi is not general secretary of our faction, I wish he would be cautious about his remarks.

[MAINICHI SHIMBUN] Is it true that Mr. Takeshita himself has been telling you that "there would be no resumption of power?"

[Kanemaru] Yes, he has told me so. He has repeatedly said so on several occasions.

[MAINICHI SHIMBUN] Do you think it is his true intention?

[Kanemaru] I do not think he would need to lie to me.

[MAINICHI SHIMBUN] How about Finance Minister Hashimoto and former General Secretary Ozawa?

[Kanemaru] Both Mr. Hashimoto and Mr. Ozawa are talented. Mr. Hada is also capable; however, it is feared that each may have advantages and disadvantages. Mr. Ozawa has my high opinion of his quick decision-making abilities as a politician; however, even if he cannot assume power this time or the next time, it would still not be too late for him to learn more about domestic affairs and diplomacy.

[MAINICHI SHIMBUN] It has been suggested that the party president should be selected according to age or by order of generation. What is your opinion?

[Kanemaru] It has been mentioned that candidates of the Taisho generation should be considered, but I don't think age has anything to do with politics. The most important factor is whether the person is willing to serve the people.

[MAINICHI SHIMBUN] Will former Finance Minister Miyazawa or former Chairman Watanabe of the LDP Political Affairs Research Council be regarded as candidates?

[Kanemaru] Both of them will probably become candidates. Anyway, the decision should be made through an election. They should offer themselves as candidates in a dignified manner and discuss with the people what Japan should be like.

[MAINICHI SHIMBUN] But your cherished opinion is that there should be a generational shift of power to younger leaders.

[Kanemaru] I have not changed my views. When considering the world situation, it is obvious that young men are more able to run about energetically in the world.

[MAINICHI SHIMBUN] Have you discussed with Vice Chairman Tanabe of the Social Democratic Party of Japan [SDPJ] such issues as the system of the two major political parties?

[Kanemaru] I am personal friends with Mr. Tanabe; however, as the major opposition party, it will not do for the SDPJ to merely oppose every bill. Its handling of the Gulf war produced rather disgraceful results, as well as its dealings with the unified local election in the Tokyo gubernatorial election. Political power cannot be handed over to such a party yet. It is because of the SDPJ's incapability to assume political power that the LDP has to stay in power.

[MAINICHI SHIMBUN] How about the issue on partial liberalization of Japan's rice market?

[Kanemaru] It is said that the Japanese agricultural administration has been constantly changing policy. On the contrary, the fact is that it is the agricultural administration that has tried to take no action so that there will not be constant changes. It is true that a settlement must be reached at the Uruguay Round. As for farmers, they are not entirely independent of the United States. Many of them are now farming as a second job. If Japan should be shut out (in trade) by the United States, and Japanese products could no longer be sold there, what would happen? Farmers working at factories would be laid off, and what would they do when asked to go back to do farming?

[MAINICHI SHIMBUN] Do you mean that the policy concerning agricultural administration should be firmly established, and then serious consideration should be given to partial liberalization?

[Kanemaru] That is correct. It will not do to merely oppose everything.

[MAINICHI SHIMBUN] How about your plan to visit the United States?

[Kanemaru] If I should ever visit the United States, it would have to do with the Korean issue. Unless some understanding is reached between the United States and North Korea (the DPRK), it would be of no avail for Japanese-North Korean relations no matter how many rounds of consultations are held. Contacts have been made with the United States on my intention to visit.

[MAINICHI SHIMBUN] How about another visit to North Korea?

[Kanemaru] If talks should fail to go smoothly, I might have to pay another visit.

LDP Adopts Outline for Political Reform

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[Text] The Liberal Democratic Party [LDP] adopted an outline for bills connected with political reform on 31 May. Because drafting of relevant bills can begin now, Prime Minister Kaifu feels that conditions have been created for him to take the initiative in leading the political situation by holding up the banner of political reform. While stepping up work for drafting bills, Prime Minister Kaifu intends to win popular support by "holding dialogue meetings" with people in various localities. Moreover, taking into consideration the fact that deliberations on these bills should be promoted at the extraordinary Diet sessions expected to convene soon, Prime Minister Kaifu plans to restudy his diplomatic schedules, including his visit to China.

Prime Minister Kaifu watched with strained nerves the development of intraparty deliberations on political reform which started on 30 May, while "saying that the meeting can be carried on all night" (according to a source close to the prime minister).

Following the party resolution, Prime Minister Kaifu instructed Home Affairs Minister Akira Fukida to work out bills at the prime minister's official residence on the afternoon of 31 May. Later on, when Jamaican Prime Minister Michael Manley called at his official residence, Prime Minister Kaifu was all smiles. He even took the trouble to explain the reform of the Japanese electoral system to the guest, and stressed that "it is the most important period now." He said to the reporter group with pleasure: "We will take one step after another from now on."

However, there still remain such problems as drafting both the constituency allocation plan and other relevant bills, as well as the convocation of the extraordinary session of the Diet. The prime minister will now depend upon growing public opinions [for supporting the reform]. For this purpose and in cooperation with the LDP, Prime Minister Kaifu is planning to hold "dialogue meetings" for communicating directly with the people over the weekends during June. About five locations are under study now. Such dialogue meetings were held in five locations following the inauguration of the Kaifu cabinet in the fall of 1989. These meetings did contribute to the high support rate of the cabinet. In this connection, Prime Minister Kaifu has this plan in mind.

Furthermore, persisting in his position of "giving priority at any cost to the convocation of the Diet for political reform" (as stated by a source close to the prime minister), Prime Minister Kaifu plans to take a flexible approach toward his diplomatic schedules. Prime Minister Kaifu has set his heart on convening the Diet sessions as early as late July. Therefore, concerning his visits to China and Mongolia originally scheduled to start on 31 July, he said that "if it does not cause many troubles to China and Mongolia, I would like to change the schedule after consulting with these two nations" (according to a government source close to the prime minister).

Role in Cleaning Up Environment Discussed

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[Roundtable discussion with Osamu Kobayashi, Tokyo Power managing director; Takeshi Matsui, Nihon University professor; Katsuya Fukuoka, Rissho University professor; Shigeo Hiratsuka, Nomura Technical Research Institute chairman; moderated by Hiroyoshi Kawai, KEIZAIKAI editor in chief: "What Can Japan Do About Increasingly Serious World Environental Pollution?"]

[Text] Just the other day the Environmental Agency's report called "Talkfest Concerning Environment and Culture" was completed. What should Japan do about environmental pollution which is ever-increasing on a global scale? Even environmental pollution resulting from the Gulf war is said to be going to cause quite extensive damage. Currently, there are great expectations with respect to environmental measures taken by firms instead of individuals.

The Gulf War Increases Environmental Destruction

[Moderator] It seems that the environmental pollution caused by the Gulf war is enormous. Mr. Fukuoka, would you mind giving us a rundown on the current conditions concerning environmental pollution?

Fukuoka: Environmental destruction on a global scale is something akin to a chronic case of cancer, and presently, that chronic disease is fairly advanced. Then, for an acute illness like a war to strike at the same time, it is definitely not a favorable thing for the global environment.

[Moderator] Pretty hefty amounts of ammunition seem to have been used, right?

Fukuoka: From what I have been able to confirm, approximately 20,000 tons of ammunition were expended per day. I am not too sure of the makeup of the ammunition that was used in this war, but I believe that probably a gunpowder different from the orthodox TNT (trinitrotoluene) was used. Therefore, while I cannot say that it is the correct volume, I think that roughly 2 million tons of gunpowder were consumed. This is 630,000 tons when measured in molecular weight of carbon dioxide. Furthermore, this means that the amount of carbon monoxide given off is 60 tons, methane gas 7.5 tons, nitrogen monoxide 770 tons, and sooty smoke 540,000 tons. Also, from 1,200 to 2,000 jet fighter planes were taking off on a daily basis. A jumbo jet flying at about mach 0.85 consumes approximately 1 to 1.5 drum cans of high grade oil per minute, but since fighter bombers get somewhat greater efficiency, they would consume about 3.5 kilograms per one kilometer of flight, which means they would expend 320,000 tons of oil in a combat period. Thus, I believe that consumption of carbon dioxide would be more or less 300,000 tons, nitrogen dioxide 60,000 tons, and 3,000 tons of soot particles.

[Moderator] And it has not been made public yet, has it?

Fukuoka: Not only that, there is the explosion of oil wells to take into account. Because there are approximately 363 oil production wells in the Persian Gulf region, the quantity lost in fires had been thought to be 1.3 million barrels. But when it actually exploded, we were surprized at the amount that exploded since it included idle oil wells. The other day, according to what I heard from Mr. S. Kato, global environment division chief at the Environmental Agency, who had just been in the Persian Gulf, approximately 2.5 million barrels of oil were burning each day. Moreover, I was quite shocked to learn that it will continue to burn for one or two years. Calculated for one year, this would mean that approximately 350 million tons of carbon dioxide, approximately 8.63 million tons of sulfur oxide, 600,000 tons of nitrogen oxide, about 6 million tons of methane gas, and around 6.5 million tons of soot particles would be given off. Comparing this to Japan's figure of emitted quantities of sulfur oxide, for example, which is approximately 1 million tons expelled each year, it amounts to a total that is nine times higher. Compared to other nations, that figure is greater than Europe's emissions, but less than the United States. Moreover, this level of emissions amounts to eight or nine countries with levels on a par with Japan combined, and converted to GNP, it would correspond to the energy volume used by a nation that produces 3,200 trillion yen. But there won't even be a GNP to show for all this extra pollution (laughter).

Crude Oil Spill Causes Severe Marine Pollution

Fukuoka: Presently, 20 billion tons of carbon dioxide is emitted on the planet per year, but if there is a 2 percent rate of increase in energy consumption amounts, it would mean an increase of 400 million tons per year. Moreover, since until the present, anywhere from 11.3 million hectares to 20 million hectares of forest have been destroyed, the capacity for absorption of carbon dioxide has dropped approximately 400 million tons. Therefore, it becomes inevitable that the rate of increasing limitations is about 800 million tons annually. Of course, in terms of planting, there is only basically a 12 billion ton carbon dioxide absorption capacity, since each year 8 billion tons are stocked, that ties to a 1.2 to 1.5 ppm [parts per million] increase in carbon dioxide. And since that stock portion is 8 billion tons, it means an approximately 800 million ton limitation increase. So, for there to be emissions of between 350 to 400 million tons of carbon dioxide, while it may appear to be a trifling amount in global terms, I think it was an occurrence that discouraged citizens' efforts toward environmental preservation and energy conservation.

[Moderator] Next, could you talk about the problem of crude oil that is spilling into the Persian Gulf?

Fukuoka: We are told that the volume of the crude spill is from three to five million barrels, and the spill of large amounts of crude is doing quite a bit of damage to the marine ecosystem of the waters of the Gulf. By the way, it seems that sea turtle nesting places, transit areas for one to two million migratory birds such as the tern, and coral reefs as well as mangrove forests were destroyed. Furthermore, the impact on migratory fish has been significant because of damage to surface water levels to a depth of up to 40 meters, which are referred to as the growing district of vegetable plankton. Also, high density levels of lead and cadmium may remain in fowl that consumed oil contaminated fish.

[Moderator] Quite a bad situation, is it not?

Fukuoka: Not only that, the acidic materials that I mentioned at the beginning are flowing in large quantities in the direction of Iran from Kuwait blown by westerly winds. There are 15 million hectares of forests, which is an extremely small amount of only 6.2 percent, in the Mideast region, which has a total of 20 to 30 times the territory of Japan. The greatest portion of this forest, or 12 million hectares, is in Iran. Therefore, it is thought that the damage will be severe if acidic material falls in that particular area in a concentrated fashion.

Matsui: I have been extremely surprised to hear this discussion. For the present, the thing that must be done is to put out the fires, isn't it? Also, it is necessary to block the flow of crude oil into the Gulf. At any rate, this is especially necessary since that salt water is purified to make drinking water.

Hiratsuka: As a countermeasure to the environmental pollution, Japan is sending oil fences to the region and is in the stage of devising and carrying out a plan to take a chute protector over there that will protect water purification equipment. About all Japan will be able to do is to make a contribution by removing pollutants from the ocean, if possible. Japan has cultivated certain technologies by means of conservancy works. And the United States and Britain are transporting oil-eating bacteria over there, but Japan does not have that type of technology.

Using Japan's Technology To Remove Pollutants From Gulf

[Moderator] What are your thoughts, Mr. Kobayashi?

Kobayashi: Because the rate of reliance of Japan's energy industry on Mideast oil is exceedingly high, though marine pollution is of course important, the biggest problem concerns the stability of the Mideast region. While extinguishing oil fires is an area in which Japan is most lacking, there is a lot of water purification equipment manufactured by Japan, so there is quite a good potential for technical cooperation in that area.

Fukuoka: The government is saying that it provided an oil fence up to 47 kilometers. The total amount of oil fence that will be needed as a countermeasure for the crude oil spill is said to be 240 to 300 kilometers, so Japan's figure of 47 kilometers could be called a contribution. However, that will be limited to areas in which water purification equipment is concentrated, and it will not have the capacity to protect the aforementioned coral reefs, mangrove forests, or sea turtle or tern nesting grounds. Therefore, while emergency measures are being taken, more lasting measures will have to be taken from now on.

Kobayashi: Since there is a lot of Japanese-designed water purification equipment in the Mideast, there should be no lack of technical cooperation that deals with that equipment.

[Moderator] How is Japan when it comes to oil fire extinguishing capability?

Fukuoka: The thing is that until the present, Japan has not been able to consider that kind of need. In a country like Japan, which does the normal sort of factory management and technical management, it is impossible to prepare for intentional damage such as that which occurred this time which was such a waste. So I do not think it's unreasonable for Japan to be behind in that technology. For example, even if it were possible technically, it would be difficult on a cost accounting basis. Also, regarding the acidic matter question raised earlier, I do not believe that sufficient observations relating to various areas of biology, such as agriculture, forestry, and fishery, have been done. That is because at the present point there is little choice but to take emergency measures and put off sufficient observation until later. But as this region has extremely weak environment fundamentals, I think that for it to have quantities of acidic matters that would be emitted by a high level industrial nation scattered about the area in a short period of time will have a very significant impact on the biological ecology. There will be no other option but to handle this over a long period of time. For example, it will probably be a question of needing to apply Japanese agronomical improvement technology for the greening of deserts while simultaneously trying to deal with acidic materials.

[Moderator] So there will be a necessity for environmental assistance over the long term.

Fukuoka: For example, in Japan there is fishing technology in which many tetrapods are dropped into the ocean and gathering places for fish are cultivated by scattering varieties of seaweed on them. So what is required from Japan is support cooperation that, instead of relying on the polluted mud on the ocean floor, uses tetrapods and cultivates seaweed that does not disrupt the ocean floor mud, while at the same time scattering bacteria that possess the capability of purifying ocean floor mud.

Hiratsuka: This Gulf war made clear the fact that Japan's administration is lacking in the ability to handle unexpected crises not only with respect to the problem of environmental pollution but on various other problems as well. We have a need to do risk management at all times with respect to those types of problems. In consideration of environmental risks on a global scale, if one takes a long-range view, various things could be considered. For example, in Japan's case, it is necessary to reconsider countermeasures in the event that an accident occurs with a nuclear power plant that China has made itself, or if acidic materials were to drift over from the Asian Continent.

Taking Environmental Measures for Asia's Sake is Japan's Duty

[Moderator] How is Japan in terms of those kinds of environmental crisis management?

Matsui: It is a field that, although people have been saying "It is important, it is important," it has not been directly addressed.

Kobayashi: Japan, as an island nation with extremely large populations of people on its few flat areas, has survived and developed to this point while running its manufacturing industry by buying raw materials and fuels from foreign countries, and its technology in dealing with environmental issues locally is considerably advanced. Therefore, consequently, I think that it has been a plus because Japan does not cause harm to other nations with acid rain, etc. However, Japan still has a long way to go in dealing with environmental problems on a global scale which are occurring presently. The problem is how Japan can extend the technology it has developed locally up to now on a global scale. It really seems that Japan has done well in local scientific technology, but is lacking in the management of big science. After the war, the main actor should change and Japan should show its big scientific power in the peaceful restoration. That should be our chance to perform, but in order to do that, systemic technological reform will be necessary.

[Moderator] As I think it will be obvious from the fact that it was quick in grappling with the problem of automobile pollution, Japan is technologically at a high level.

Kobayashi: I believe that without a doubt it is at the highest level. However, what is a pivotal question is how to extend this to a world scale in the future, since it has been used only for solving environmental problems locally.

Hiratsuka: The problems in the Mideast are a subject of crisis, but what is important in the case of considering what Japan can do is sponsoring technology necessary to Asian-Pacific rim nations for preventing global warming. In the course of promoting that, Japan will probably finally be able to exhibit some leadership. This would mean Japan's engaging with the resolve of getting completely involved in something along the line of an energy environment plan for each country. Since this is a question that requires enormous talent and corporate effort, it would probably be quite complicated, but there is nothing left to do but to earnestly set about it while viewing things from the middle and long-term viewpoint.

What Can Be Done About Global Warming?

[Moderator] Mr. Matsui, what about this question of global warming?

Matsui: What Japan must do about the issue of global warming is, after all, to render service to the environmental problems of the Asian region. Various development plans are being advanced under ODA [official development assistance], but an environmental assessment to accompany that had not been made at all. By the Environment Agency's efforts, inadequate as they are, an environmental assessment to accompany technical assistance abroad has been created. Since from now on development cannot be conducted continuously, in order to advance projects, environmental assessment must follow. However, for just Japan to have to do all that would be difficult, so it will be necessary to provide technological guidance so that the partner nation will be able to do this for itself. This is because talent is limited in Japan. Pardon me for straying from the subject, but people in their twenties or thirties who can be educated in my area of specialty which is geological survey, agronomical survey, and planting survey are becoming scarce. So even if one wants to give environmental assistance to Asia, it is a serious problem because of the lack of personnel. What may be desirable instead is to summon people from Asian nations to come for direct guidance. Also it might be more expeditious to create something like Thailand's research training center in each nation, and have people come there. However, what is vital in the case of technical guidance is the level of the one being guided. In some cases it will not even help to take Japan's high level technology over there. So it is necessary to conduct training together with technicians in those countries with the proper technology that is adjusted to meet their level.

[Moderator] I see.

Matsui: This is even more important when considering the instance of the tropical rain forests. Seventy percent of Japan's territory is covered with forest, but Germany has only some 20-odd percent, and Britain has a mere 7 percent. None of the advanced industrial nations have this much forest. However, when one looks at the amount of lumber imported, Japan is number one in the world. We do not use domestic trees. Domestic timber has a higher cost. The lauan, teak, and mahogany plywood that Japan is importing is almost all taken from the tropical rain forests. Therefore, Japan has to take quite a bit of credit for destruction of the tropical rain forests. I would really like for trading companies, first of all, in addition to Japanese firms, to immediately suspend the deforestation of tropical rain forests.

Fukuoka: Each country has its own industry which is carrying out its jobs according to its own economic development conditions. At the same time that rain forest timber is being cut indiscriminately, 80 percent of tropical rain forest destruction by fire is due to "slash and burn" and use as fuel. Viewed over the long term, it will be necessary to change the structure of energy consumption that consists of cutting down tropical rain forests and burning them. This is because the forests and wooded areas have the capacity of absorbing the social cost with respect to global warming. In that sense, it will be important to have a system that allows the tropical rain forests to remain by revising the structure of fuel consumption.

Implementation of Recycling That Includes Added Value

Fukuoka: Also, up to this time rain forest timber has been imported in the shape of logs, but instead of importing logs, if added value production is done in that country in which the wood is processed and made into plywood, the structure of the distribution of income would change in that region and would result in an improvement. If that is done, they will be able to get along sufficiently well so that indiscriminate deforestation would not be necessary. Instead of cutting trees down indiscriminately, they could cut down any trees that they desire and it would be fine to do so. That is an important point. Therefore, they would be able to reap raw materials while protecting nature by taking only the yearly growth amount of timber stock the way advanced industrial nations like Japan and the United States do. Even the United States and Canada are fine as long as they are cutting down the growth volume, but it is a problem when they exceed that amount. In other words, they should just operate within the confines of nature's capacity without going over by aiming for a safety minimum standard in which raw materials are used effectively. And this must become the principle that is followed on a worldwide scale.

[Moderator] I see.

Kobayashi: Japan is, without a doubt, a big importer in the tropical rain forest issue. However, the biggest user of the tropical rain forests are the people of those countries themselves. I do not have clear figures, but their thermal efficiency is probably extremely bad, and I believe that there is a fairly large minus in that the fixed amount of carbon is declining due to deforestation. It will take some investment initially, and there will probably be some technical problems, but if they change to hydraulic generation, I believe that the carbon dioxide problem will be solved as well.

[Moderator] That would probably be necessary, wouldn't it?

Kobayashi: For instance, considering the case of thermal power generation, though my figures are from 1985, Japan's thermal power generation thermal efficiency is 36 percent. In contrast to that, America is 33 percent, Canada is 32 percent, and Britain is 33 percent. So even among the advanced industrialized nations, Japan's thermal efficiency is extremely high. The reason for that is that Japan's technology is advanced. But the reason it is advanced is that Japan does not have primary energy, so it has had to rely on imports for all its energy. Furthermore, the two oil shocks dramatically raised energy efficiency. Expressed in terms of energy efficiency and global warming, although the same amount of energy is used, the amount of carbon dioxide emitted is reduced according to the level of efficiency. For example, if the United States were able to maintain the same energy efficiency as Japan, the amount of carbon dioxide emissions would drop 10 percent. I believe that is an extremely important question. Presently, the volume of carbon dioxide emissions from the burning of fossil fuels of the three nations of the United States, China, and the Soviet Union is 50 percent, while Japan's is a mere four percent. Probably the thermal efficiency of the Soviet Union and China from thermal power generation is low, so if they were able to raise their energy efficiency level up to a par with Japan's, the amount of carbon dioxide emissions levels would decline appreciably.

Fukuoka: Another thing is the question of recycling. I think that for firms to pioneer in the promotion of recycling of plywood and paper is a wonderful thing. And then they are re-exporting the recycling culture to the developing nations. Some people say that the developing nations themselves are the birthplace of the recycling culture, but the birthplace of recycling culture is presently collapsing. Environmental destruction is the same as the destruction of culture. It would probably be a good idea to give aid that includes added value production and recycling which should be called "modern recycling" among the talent cultivation and technological cooperation when considering supplying ODA to developing nations.

Dealing With Environment is Key to Life or Death of Firms

[Moderator] Finally, what should firms do with respect to the environment? I would like to hear everyone's opinion in this regard.

Fukuoka: In June of last year an international ecological life symposium was held in Tokyo. Ms. Julia Hales, British consumer activist and creator of Sustainable Co. arrived in Japan. She had created something called a consumer guidebook which were standards that resulted from checking up on product manufacturing processes from resource selection to waste disposal to determine their energy efficiency, recyclability, and whether or not they are injurious to the health and to the environment. A truly large number of products were checked. At first, firms felt pressure and opposed the idea, but in time the situation evolved in which those companies that eventually approved the movement enjoyed increased sales. Even in the United States, a type of ecological mark was created called green seal which provides a feeling of relief when it is found on a product. In Germany in 1971 an environmental plan was devised, and in 1978, in order to put it in place, first a blue angel mark approval system was made that was geared toward the consumer. And already, 3,500 items have been designated, and short courses, etc., have also been opened. Moreover, it has been decided at public works institutions that a product will not be purchased if it is not a blue angel product. This kind of movement will probably become strong in Japan as well. Since, due to the occasion afforded by the global environmental issues, the consumer will come to think about the environment and health, firms that do not deal with that will end up losing their market. Coping by Japanese firms seems to be slow, but their image abroad is not good. By using the ecomark products domestically, they will definitely have no choice but to quit exporting products that do not have the ecomark. Then it will probably be necessary to create an economic preservation transaction committee, and proceed in the direction of penalizing those products that go against the good of the environment as unlawful transactions. Meanwhile, a system of fees for garbage should be set up for consumers that could be used to help toward improvements on incineration sites, etc. Also, consideration should be taken for making firms' efforts in environmental pollution countermeasures a target for tax reductions. In the future everyone should carry their share of the burden in preserving the environment. Firms should take the initiative by sowing "seeds" that are gentle on nature and the environment.

Environmental Business Gaining Recognition

Matsui: Recently, firms are putting efforts into dealing with environmental problems by creating organizations and research laboratories. In fact, large construction companies are undertaking recycling of construction waste materials. Also, since Japan is advanced in the area of technological development for fixation of carbon dioxide, etc., it will put its strength in those fields in the future. In the energy problem, and the same is true for energy conservation, the development of substitute fuels in exchange for limited oil is necessary. At the end of May, the British environmental organization called "Ground Work" will arrive in Japan. This group is headed by the former British environment minister in which the three ranks of administration, citizens, and firms are unified and is constructively engaged in dealing with greening, beautification, etc. Because there are no such organizations in Japan, I would like to see firms actively participating in this sort of volunteer work.

Hiratsuka: We have investigated how firms perceive environmental problems. Not only were there more than 60 percent of the firms that consider environmental measures to be extremely important for the corporate identity, there were even more firms that would by all means like to shake free from the tainted image of having been lacking in dealing with the problems in advance. Then there are 40 percent of the firms that have targeted business opportunities created by the heightened awareness of environmental problems. That being the state of affairs, it would seem prudent to judge that environmentalist management is taking root in firms. Furthermore, the majority of firms are taking up environmental measures in the business sense, and 40 percent of firms had created long-term research teams. Also, those firms that had concrete working project teams in place were somewhat less than 20 percent. So it could be said that business' perception has become fairly prevalent.

Kobayashi: Our company had created an environment related organization in 1968. This was hardly something it did while kicking and screaming (laughter). It has been a pioneer in environmental measures. However, the objectives have changed with time, just like present environmental problems since the age of thermal power generation. What must be done now, as is the case in the country's global warming prevention plan, is recycling, greater efficiency, and the promotion of safe nuclear power generation. Then, the next step should be the conduct of technological development. Technological development is something that should not just be done for the next five or 10 years, but should be done all along with the future in mind. Thus, a better environment should be created. That is to say, it is important to do what can be done at the present parallel with future technological development, because environmental problems are a theme that must be considered globally, and not only with respect to Japan.

[Moderator] Thank you very much, gentlemen.

* New Bill Aims at Illicit Drug Trafficking

912B0136A Tokyo ASAHI SHIMBUN in Japanese 18 Apr 91 Evening Edition p 1—FOR OFFICIAL USE ONLY

[Text] Global transactions of cocaine, LSD, etc., are expanding fast. To meet the situation, on the morning of 18 April, the Social Affairs Division of Liberal Democratic Party approved a new bill aiming at controlling black market business involving narcotics transactions. The bill will allow drug dealers to be punished as "criminals committing offenses overseas." It also includes punishment for so called "money laundering," legalization of illegally obtained profits through transactions under fictitious names. The bill is expected to be passed by the cabinet meeting on 19 April, and to be submitted to the Diet.

Approved are bills to amend a part of the "Four Narcotics Laws" including the Narcotics Control Law, and to stipulate special cases, etc., to control international transactions.

These bills form a part of the government's efforts to reorganize domestic laws aiming at ratifying "The United Nations agreement on prevention of illegal narcotics transaction" (new narcotic agreement). 37 countries including the United States, Soviet Union, France and China have already ratified the new agreement. The government will ask the Diet to ratify the agreement simultaneously with the submission of the bills.

The amended bills require filing of papers with the Minister of Welfare concerning manufacturing and importing not only narcotics themselves but also materials for manufacturing narcotics. Besides, the bills stipulate that punishment will be applied to people possessing, selling, or manufacturing narcotics in foreign countries the same as is done in Japan.

The bills also establish a "controlled delivery" system in which bags containing narcotics are passed through customs on purpose so that arrests can be made on delivery to ringleaders. "Money laundering" of illegally obtained profits is clearly defined as an illegal act and a heavy punishment of no less than a five-year imprisonment will be imposed. As to the assets obtained through narcotics transactions, the bills allow confiscation of bank deposits and freezing of assets, acts which are not stipulated in the current criminal law. This means that enforced actions against not only criminal acts themselves but also assets gained from such acts become feasible.

The bills will also impose very severe punishment, up to a maximum of life in prison, on members of syndicates conducting narcotics transactions repeatedly. These are deemed "professional crimes." When accepting illegal funds knowingly, recipients will be punished by imprisonment. These stipulations constitute multilateral control measures against gangster organizations which carry out transactions involving narcotics.

Plans for Public Works Investment Move Ahead

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[Article by Nomura Research Institute Technology Industry Research Division researcher, Hiroshi Saito: "New Development of Y430 Trillion Public Works Investment and Engineering Projects"]

[Excerpts] **Background and Significance of Establishment of Y430 Trillion Public Works Investment**

The "Basic Plan for Public Works Investment," which indicated the guidelines for attempting to complete improvement of social capital covering the period from FY91 to FY2000, was presented on 28 June 1990. In it, it was promised to carry out public-works investment amounting to Y430 trillion over the next 10 years.

With the expansion of public-works investment, not only will many business opportunities be actualized as government-led projects, it will stimulate lively private-sector investment as its ripple effect, and will become a pillar which promotes economic growth. Moreover, the fact that, as in the present case, the scale of investment for the long term was indicated, also conceals within it the possibility of becoming a trigger that will bring about structural reform of public engineering projects.

What became the base of the Y430 trillion amount for public-works investment is a problem concerning completion of social capital stock which became a subject of debate in the U.S.-Japan Structural Impediments Initiative [SII] talks. That is, America is pointing out that the degree of completion of social capital stock which affects "living standards" is insufficient.

Well, there is also a debate as to whether a Y430-trillion scale of investment is large or small, but at least when we consider the aspect of scale, it is approximately 1.6 times the total amount of public investment for the 1980's. There is also the view that if we take into consideration the expense of acquiring land, and the rise in prices, the expansion of the framework is not all that great, but there are probably more important points than that. One is that the government promised a 10-year market; the second is that the government itself began to be conscious of planned public-works investment in line with a long-term vision.

The Beginning of a Period of Full-Fledged Improvement of Social Capital

Well, the basic plan for public-works investment which was established this time has great significance for improvement of social capital in Japan because of the point that the total amount of investment for a long period was shown and the point that the object of the investment was shown.

Above all, because priority allocation to life-connected projects was shown as the field in which investment would be made; albeit a large framework, an expansion of business opportunities is expected also for the companies which up to now were aiming to enter the "public works market." To be precise, the fields which are considered to be the object of life-connected projects are: (1) fields which are intimately connected with the living environment: water and sewage systems, parks, waste disposal facilities and improvement of homes and residential land; (2) fields connected to industrial basic infrastructure: transportation and communications, preservation of national land, agricultural, forestry and fisheries related facilities. At the same time, the allotment of investment to small and medium cities, where improvement of social capital had been lagging behind comparatively, will probably rise, oriented toward "formation of a multipolar-decentralized-type nation."

When we consider these points, it is probable that the impact which the public-works investment of Y430 trillion will have on the public works engineering market will be concentrated on the following three points.

The first is that there is a possibility that long-term big investment projects will materialize in the latter half of the 1990's.

The second is that investment involved in social capital to improve living standards "which is intimately connected to people's lives" will expand.

The third is that completion of improvement of social capital in the provinces and the suburbs of cities will be promoted on a priority basis.

The Direction of Reform of the Structure of Engineering Projects

Well, it is probable that in response to this kind of change in the business environment and macro-development of technology, Japan's engineering business will go on changing, centered on expansion of engineering functions and expansion of the business areas of equipment manufacturers.

First of all, let us consider expansion of the functions of engineering business. When we say engineering business, in Europe and America it is called engineering and construction (EC) and ordinarily takes the form of business which is carried on possessing the functions of planning and conceptualization—basic design and planning—execution—equipment engineering—detailed design of equipment—up to maintenance.

In this case, the consulting function related to the concept of making plans, conceptualization, etc., which can make proposals after having given concrete expression to the latent intention of the client in regard to the project, and to the ideas which the client possesses, and incorporated them in the concept of the project for which one was commissioned, is viewed as extremely important. Furthermore, since EC companies cover a wide range of business areas, from such upper-level parts as planning and conceptualization to such lower-level parts as design of equipment, not only execution engineering ability, but know how in the soft aspect which exercises overall management of a project, becomes necessary and essential. Naturally, support on the funding side is also requested for them. To put it conversely, it is difficult to place general orders with a company unless it is a company with these types of know how.

Japanese Companies Are Weak in Upper Level Functions Compared to European and U.S. Companies

On the other hand, in Japanese public works projects, planning and conceptualization, management which organizes the entire project, and execution engineering are separated. In most cases the upper-level part of engineering is carried out by the public organization or government agency which places the order for the project, so the company undertakes only such lower-level parts of engineering as execution. To put it in an extreme manner, before the private-sector company enters at the design stage, the side placing the order has already made decisions concerning such upper-level engineering parts as plans and project specifications, so it means that private-sector companies participate from the stage of detailed design and execution. In short, in the case of Japanese public-works projects, they take up a small part of European-U.S. type EC projects, so they are only called "engineering."

The result, was that general contractors centered on construction-engineering strength, which have reigned supreme as the prime contractors for Japanese public-works investment, and engineering firms, which made use of strength in the aspect of technology related to plant and equipment, have viewed as important the accumulation of execution-engineering know how, including architecture, rather than the functions of planning and conceptualization.

For this reason, when one compares these companies with major U.S. firms, it can be said that they still have insufficient strength in the points of complete planning and conceptualization functions and project-management strength which includes the finance aspect, which are the strengths of U.S. engineering companies. Furthermore, the point that U.S. companies possess both construction functions and engineering functions is an important condition in the case of making overall contracts for EC projects.

It is very possible that in the future these upper-level and comprehensive engineering capabilities and consulting powers will begin to become important in Japan's public-works investment. For one thing, as the economic level of Japanese people rises, the demands of the people in regard to social capital will gradually rise. On a different side, the importance of planning and conceptualization, detailed planning and proper management ability will inevitably rise by leaps and bounds because of the increasing size of projects.

Equipment and Instrument Makers Whose Business Areas Will Expand

On the other hand, it is possible to point out the following concerning the trend toward expansion of the business areas of instrument makers and equipment makers in engineering projects.

In engineering projects up to now the niches of large general contractors, various kinds of equipment and instrument engineering companies and makers of equipment and instruments have been segregated from each other according to the fields in which they were strong. However, the development of such information systems as computers, and the advance of equipment and instruments is, albeit slowly, heightening the functional importance of equipment and instruments within projects. Because of this, cases are seen in which heavy-industry affiliated companies and equipment engineering manufacturers grasp such upper-level areas as planning and conceptualization by making use of their strength in advanced equipment and instrument systems engineering.

Equipment and instrument makers who have skillfully introduced the technological innovation which surrounds engineering projects into their own company's business and technical know how in equipment and instruments, are expanding the business area of manufacturers toward the higher-level of engineering. It means possessing absolute strengths, the functions of which other companies cannot take over, so it means building barriers on the technology side to entrance by other industry types. Actually, in such air-conditioning projects as buildings, companies which have connections at the planning and design stages for buildings are developing an extremely advantageous competitive position by having greater control over the upper level part than any other company.

In addition, the global-environment problem is not simply a problem centered on waste and energy conservation; one's social obligation as a citizen is called into question. Not only companies which carry on production activity, but in all sorts of projects including even public works projects, it is almost certain that "grappling with environmental problems," will be incorporated from the stage of planning and conceptualization, so it can be said to be a business opportunity for companies which possess strength in environment-related equipment and instrument engineering know how. Engineering know how that can organize facilities and projects that are "kind to the Earth," will become indispensable to many public-works projects.

In short, it appears to me that in the engineering projects of the 1990's a rise in the importance of comprehensive engineering capability, which includes such things as planning and conceptualization, and the enhancement of the power of equipment and instrument makers' systemization technology will advance.

The 1990's Will Determine the Prosperity or Decline of Engineering Firms

Thus, it is expected that Japanese engineering industry circles will develop fairly dramatically because the government indicated the investment scale of Y430 trillion, and because of progress of changes in the environment of engineering projects, such as change in the structure of placing and receiving orders.

In Japanese public-works engineering, at the present time conceptualization is controlled by the public body, be it a government office or a local autonomous body, and what is left is carried out by bidding of private-sector companies in the form of execution subcontracting. This structure of segregation between government and private sectors and between companies is clear. [passage omitted]

However, as the scale of projects gets larger, there is a possibility that there will appear the engineering-construction form on the European-U.S. model, which accepts orders covering everything from planning and conceptualization to design, execution and equipment engineering. As in the Kansai International Airport, participation of the private sector from a fairly high level of the project planning is being recognized, albeit slowly.

If this advances, there is a possibility that even large general contractors, which are currently building overwhelming superiority in this industry, will no longer be able to build clear competitive superiority by comprehensive execution capability alone over a hardware-concentrated company which possesses equipment and instrument systems-engineering capability. For comprehensive engineering companies and heavy-industry related engineering companies, it is a splendid opportunity to build competitive superiority vis-a-vis large general contractors by using technological strength as a weapon, so, depending on enhancement of consulting capability concerned with project planning and conceptualization, the potential exists to be able to gain a position as primary contractor for many contract items.

But if this kind of innovation in the structure of placing and receiving orders progresses, because of liberalization of entrance from overseas, the operation in Japan of U.S. companies which are superior in the aspect of comprehensive engineering will become a reality, and a scenario is also hypothesized in which Japanese companies will carry out projects as subcontractors of major U.S. companies.

At a time when the possibility has increased that industry structure and the structure of placing and receiving orders will change drastically, it is also possible that the company which controls the project initiative will change in the case of developing projects by partnerships and consortia.

In order to gain the position of project leader, for general contractors and engineering firms and also for companies which develop projects centered on instruments, it goes without saying that the acquisition of comprehensive engineering capability (engineering integration) is of the greatest interest. It becomes an important crossroads of whether they will advance their development of projects as the current kind of manufacturer of hardware, or become a manufacturer of hardware with engineering functions added on.

To the various kinds of EC companies connected with public-works investment, while the next 10 years will be years in which "great strides" can be hoped for, they will be years which will demand foresight in advance of the mechanism of changes in the form of placing and receiving orders. They must change the business functions of their own company in a manner appropriate to them (restructuring of business).

In the final analysis, for companies which are unable to cope with these changes in the business environment, it will not only become difficult to secure company competitiveness; there are signs that it will become difficult to secure their own company's position in EC industry circles, so it is probably expected that the decline of their competitive position and business earnings will become a reality.

Funds for Infrastructure Augmentation Examined

912A0195A Tokyo KINYU ZAISEI JIJYO in Japanese 4 Mar 91 pp 42-45—FOR OFFICIAL USE ONLY

[Article by Kazuto Fujiwara, deputy director general of the Financial Bureau, Ministry of Finance]

[Text] The draft of the fiscal investment and loan program for FY 1991, which was adopted on 29 December 1990 at the cabinet meeting for the estimate budget, is based on the premise of insuring continuous, inflationless growth, which is centered on domestic demands, and it is keyed for the priority and efficient allotment of funds in response to policy requirements, such as augmenting the social infrastructure, promoting countermeasures for housing and the reflux of capital, expediting internationalization, activating the regional areas, establishing countermeasures for medium and small business, and advancing technology. Also, the various services are reassessed and subject systems undergo improvements so that they can cope with changes in the economic and social state of affairs.

Basic Aims

The draft of the fiscal investment and loan program for FY 1991 was drawn up, in light of the present economic state of affairs, on the premise of insuring continuous, inflation-less growth, which is centered on domestic demands. The allocation of funds within this sort of framework is being geared toward elevating the quality of the people's living standards and dealing with priority emphasis on policy requirements, such as augmenting the social infrastructure, promoting countermeasures for housing and the reflux of capital, expediting internationalization, activating the regional areas, and establishing countermeasures for medium and small business.

As a result, the allocation for general expenditures for public works (excludes the trust funds that were created in 1987) is Y29.1056 trillion, which is 5.4 percent more than last year. However, with the inclusion of the trust funds, the allocation is Y36.8056.

Furthermore, in order to contribute to the smooth settlement of government bonds, the amount of government bonds to be underwritten by the Trust Fund Bureau for FY 1991 is expected to be Y600 billion (a Y1.4 trillion decrease from last year).

Operations

Fiscal Investment and Loan Program (see Table 1 [not reproduced])

(1) Sound Augmentation of the Social Infrastructure

From the standpoint of planning a systematic and sound augmentation of the social infrastructure, which is the foundation of an economic society and of the people's living standards, the requirements to augment the social infrastructure, such as highways and airports, are vigorously dealt with through the agencies managing public works and the Japan Development Bank. As a result, the allocation for the services handled by the agencies managing public works is Y5.8457 trillion (a 13.2 percent increase over last year) and their fiscal investments and loans are Y4.7134 trillion (a 9.6 percent increase over last year); the outgoing finances of the Japan Development Bank is allocated at Y1.627 trillion (an 11.6 percent increase over last year) and its fiscal investments and loans are Y1.2605 trillion (a 15.5 percent increase over last year). In addition, in light of the importance of augmenting the social structure with the cooperation of the private sector, a low interest finance system to utilize the income derived from the disposal of the Nippon Telegraph and Telephone Public Corporation (NTT) stocks was newly established in the Japan Development Bank.

Among these financial accounts, the fiscal investments and loans of the five road construction agencies of the highway public corporation are allocated at Y2.9587 trillion (a 10.2 percent increase over last year). With the three major airport projects (Haneda Airport offshore development, New Tokyo International Airport and the Kansai International Airport) in full-scale construction, the allocation for the projects is Y523.8 billion (a 59.5 percent increase over last year) and the fiscal investments and loans are Y257.3 billion (a 136.3 percent increase over last year), both of which are substantial increases. Furthermore, the fiscal investments and loans for the local public organizations are allocated as follows: Y120.2 billion (a 16.1 percent increase over last year) for park afforestation enterprises, Y782.7 billion (a 13.2 percent increase over last year) for sewage works, Y248 billion (an 18.7 percent increase over last year) for hospital enterprises, Y137.6 billion (an 8.3 percent increase over last year) for enterprises to improve social welfare facilities, and Y155.9 billion (an 11.6 percent increase over last year) for general waste disposal enterprises, which insures substantially high increases.

(2) Coping with Housing Needs

From the standpoint of seeking to form an excellent housing inventory and to elevate the people's housing standards, the Home Loan Corporation, along with insuring the required number of houses (550,000 houses) during the first fiscal year of the Sixth Phase Five-Year Housing Construction Plan (FY 1991 to 1995), will strive to improve loaning conditions as follows: Promote the acquisition of home ownership in the three Great Metropolitan spheres and in the event a person, who desires to purchase a dwelling of the joint home-type within a fixed area of a Great Metropolitan area, has not resided in the dwelling for a fixed period before the loan request, it is possible (for first time home ownership) for that person (or spouse) to obtain an extra loan (Y2 million) at the standard interest (5.5 percent) again, and introduce a special extra loan in the construction of family oriented lease homes, by substantially raising the amount of the loan limit (such as increasing it from Y9.5 million to Y14.3 million for the special areas in the Tokyo sphere).

Along with scheduling the construction of 25,000 houses, the Housing and Urban Development Corporation will be enforcing the enlargement in size (such as increasing the size of leased homes by an average of 4 or 5 meters square) of newly built homes, in order to promote the elevation of the housing standards. Furthermore, from the standpoint of facilitating the supply of residential land in the Great Metropolitan areas, ground space was increased with the newly approved regulation from 850 hectares to 900 hectares (was 550 hectares in 1989).

Also, as a housing countermeasure, the allocation for home loans for the Pension Welfare Service Public Corporation is Y1.1828 trillion (a 7.1 percent increase over last year), and a housing loan system for joint company homes with property accumulation has been established within the Employment Promotion Projects Corporation.

(3) Positive Contribution to the International Society

Accelerate internationalization through promotion of measures for the reflux of capital, sound accomplishment of the midterm goals of the Fourth Official Development Aid (ODA), and accelerate importing.

From the standpoint of making positive contributions to the international society, the plan calls for dealing firmly in such activities as the promotion of measures for the reflux of capital and the sound accomplishment of the midterm goals of the Fourth ODA. Besides allocating Y1.171 trillion (a 15.7 percent increase over last year) as fiscal investments and loans for The Export-Import Bank of Japan, Y727 billion (a 23 percent increase over last year) is allocated as fiscal investments and loans for Overseas Economic Cooperation Development (OECD). Furthermore, from the standpoint of improving the importing structure and facilitating investments in Japan, the financial quotas for internationalization and regulating the industrial structures by the Japan Development Bank will be expanded, and along with this, from the standpoint of promoting imports, The Export-Import Bank of Japan's quota for importing manufactured goods will be expanded to Y140 billion (a 12 percent increase over last year).

(4) Activation of Regional Areas and Countermeasures for Medium and Small Business

The priorities for the activation of the regional areas and the countermeasures for medium and small business are still the same as in the past. For instance, the allocation for the services of the Japan Regional Development Corporation has been substantially increased to Y98.4 billion (a 21.3 percent increase over last year), and in order to plan for the education and settlement of personnel in the regional areas, a loan system for enterprises that would contribute to improve the employment environment and to develop employment opportunities in the regional areas has been newly established in the Japan Development Bank. Furthermore, in order to seek the correction of differences in the living and cultural levels among the regional areas, the allocation for services of the local public organizations, for loans to enterprises dealing with the remote and depopulated areas, is Y306 billion (a 7.7 percent increase over last year).

Regarding countermeasures for medium and small business, the loan allocation for special loans to activate the medium and small distribution business, which was newly established in the FY 1990 supplementary budget, was expanded (from Y18 billion to Y73 billion for the People's Finance Corporation and from Y17 billion to Y69 billion for the Small Business Finance Corporation). Besides this, the subject facilities of the loan system to improve the labor environment of medium and small business, provided within the People's Finance Corporation and the Small Business Finance Corporation, have been expanded, and along with this,

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the loan system to nurture medium and small distribution business of the type to elevate local living standards was newly created in the Small Business Credit Insurance Corporation.

(5) Others

From the standpoint of the local public organizations contributing to the smooth operation of local finances, under a favorable state of local tax revenues, the allocation for the local bond plan amount (however, the amount excludes the NTT non-interest loan and the designated fund public corporation bond) is Y7.9979 trillion, which is a Y272.3 billion increase over last year. From the standpoint of insuring the smooth operation of local finances and of improving the social infrastructure, which prioritizes the elevation of the quality of the local people's livelihood, based on the above FY 1991 local bond plan, the allocation for the local public organizations is expected to be Y4.365 trillion (a 4.7 percent increase over last year).

And successively, the promotion of technological development and the medium and small business countermeasures is planned for under the Industrial Investment Special Account, and an allocation of Y65.7 billion (Y64.1 billion in FY 1990) is expected as finances for 15 agencies, including the Basic Technology Research Promotion Center and the Small Business Credit Insurance Corporation.

(6) Trust Fund Services

Regarding postal savings during FY 1987, a special account was established as a countermeasure for financial liberalization in the Postal Savings Special Account with the objective of dealing firmly with the financial liberalization of postal savings services, and a financial liberalization countermeasure fund was created in this special account. Even with the welfare and national pensions, a pension resources strengthening service was created in the Pension Welfare Service Public Corporation for the purpose of strengthening the base of pension finances.

Even with post office life insurance, a trust fund service was established in the Post Office Life Insurance and Welfare Corporation for the purpose of contributing to the sound management of post office life insurance services.

Regarding the new allocated amount for the financial liberalization countermeasure fund for postal savings in FY 1991, Y4 trillion (Y3.5 trillion during FY 1990) is earmarked for the Postal Savings Special Account. Regarding the new allocated amount for the Pension Welfare Service Public Corporation, Y2.05 trillion (Y1.8 trillion during FY 1990) is earmarked as the pension resources strengthening service. Furthermore, Y1.65 trillion (the same as for FY 1990) is earmarked for the post office life insurance fund for the trust fund services of the Post Office Life Insurance Welfare Corporation.

Underwriting Government Bonds

Regarding the Trust Fund Bureau underwriting government bonds in the past, the underwriting amount was decided by considering a smooth settlement of the government bonds, while comprehensively taking into consideration the state of the financial resources of the Trust Fund Bureau, the fund requirements of the various agencies handling fiscal investments and loans, and the financial state within the market.

In light of this type of basic concept not undergoing any change even in 1991, the deep-rooted need to purchase government bonds at the market, and the expectation of an adequate settlement within the market, the underwriting amount is expected to be Y600 billion, a decrease of Y1.4 trillion from the sum expected at the outset of FY 1990.

The State of Financial Resources

The financial resources for fiscal investments and loans are constituted by the Trust Fund Bureau, Post Office Life Insurance, Government Guaranteed Bonds and Loans, and the Industrial Investment Special Account.

The financial resources for FY 1991 are earmarked for Y37.4056 trillion which is a 2.3 percent increase over last year. A breakdown of this amount shows Y36.8056 trillion earmarked as financial resources for the fiscal investment and loan program and Y600 billion as financial resources to underwrite government bonds.

A review of the financial resources shows that the bulk of the financial resources is earmarked for the Trust Fund Bureau with an allocation of Y29.1349. Of this sum, Y8.8 trillion is earmarked for postal savings and this is the amount targeted for the increase of postal savings by the Bureau of Posts and Telecommunications. As for pension funds, Y6.43 trillion is earmarked, based on the revenue and expenditure estimates of the Welfare Pension Special Account and the National Pension Special Account. Besides these accounts, Y6.305 trillion is earmarked for Post Office Life Insurance and Y1.9 trillion for Government Guaranteed Bonds.

The sum of Y65.7 billion is earmarked for the Industrial Investment Special Account, based on the prospect of payments by the Japan Development Bank and The Export-Import Bank of Japan, and dividends from the Japan Tobacco Industry Co., Ltd. and the NTT.

Regarding fiscal investments and loans in the past, the priority and effective allocation of funds was based on policy requirements that took into account the frequent changes in the economic and social state of affairs, and they fulfilled the important role of elevating the economic development of Japan and the stability of the people's living standards.

Even hereafter, the role of fiscal investments and loans, which have been dubbed the "second budget" with the application of [redemptive] funds, will be extremely important, from the standpoint of promoting various kinds of policies, such as augmenting the housing and social infrastructure, adjusting the economic structure, promoting international cooperation, and offering countermeasures for medium and small business.

After the abolition of the [legal system for deposits and interests], the demand for fiscal investments and loans, which supply long-term and low interest funds, reflected the recovery of business prosperity to become extremely strong, and the allocations requested for general expenditures for FY 1991 was considered high, with a 12.4 percent increase over last year.

Regarding the FY 1991 fiscal investment and loan program from the standpoint of insuring continuous, inflation-free growth, the allocation for general expenditures will stop at a 5.4 percent increase over last year and be less than 5.5 percent in the nominal growth of the GNP, and according to policy requirements, the various services will be reassessed and efforts made for the priority and efficient allocation of funds and for the achievement of a well rounded program. And hereafter, efforts should be directed at dealing with the people's needs that will conform with the changes in the economic society and at coping adequately even from the aspect of fiscal investments and loans.

Mongolia

MPR President Ratifies Laws, Issues Decree

OW0306132991 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1024 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 1 June (OANA-MONTSAME)—P. Ochirbat, MPR [Mongolian People's Republic] president has ratified the laws on economic units and on privatization of property, which are to play the basic role in the development of country's economy under new conditions of market economy. P. Ochirbat, MPR president, has issued a decree on the augmentation of the remaining part of the savings of citizens in banks. According to the decree deposits of citizens exceeding 10 thousand tugriks by the 16th of January of 1991 are increased twofolds according to the MPR Government decision of the 16th of January 1991 and in connection with the change of the rate of tugrik, tugriks account have increased two times. The question on how to handle the remaining in the banks accounts is empowered on the MPR Government to decide up to the wishes and requirements of depositors.

Small Hural Adopts Law on Bankruptcy

OW0406010791 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1753 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 3 June (MONTSAME)—Today the State Small Hural [SSH] has adopted at its first reading the MPR [Mongolian People's Republic] Law on the Bankruptcy of Economic Units. Only three days were needed to discuss and to coordinate positions on it at the SSH sitting.

In connection with the adoption of a new law which in complex with other laws constitutes a legal basis for the activities of enterprises and organizations under the transition to market relations. The State Small Hural has also approved addendums to the civil [word indistinct] to the civil legal procedural code. It was instructed on the government to handle the relevant acting laws and other legislatiure in comformity with the new law.

All the organizations leading economic activity should go in the current year through official government registiration, provided otherwise they would be considered disfunctioning starting the new year.

Small Hural Begins Discussions on Education Law

OW0406005191 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1756 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 3 Jun (MONTSAME)—Today at its sitting the State Small Hural [SSH] has proceeded to the discussion of the draft law on education. N. Urtnasan, MPR [Mongolian People's Republic] education minister has presented a report on the law. He pointed out to the need in cardinal renewal of the education system in comformity with the new requirements occurred along with the deepening of changes in the society. Education should become a priority direction in the development of the country, said the minister.

L. Bold, member of the MPR parliament has presented the conclusions of the Permanent Committee of the SSH on problems of children, women and youth on the said draft law. The discussion of the draft law is continuing.

Conference in Jun To Discuss Draft Constitution

OW0306133391 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1023 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, June 1 (OANA-MONTSAME)—J. Gombojab, chairman of the MPR [Mongolian People's Republic] Great Peoples Hural [GPH], made an order on holding the zone conferences of the GPH deputies and leaders of the country's state and administrative bodies at the end of June and and the beginning of July this year. The conferences are to be held in Arhangai, Dundgovi, Hovd and Hentii Aimags and also in the city of Darhan and Ulaanbaatar.

As its said in the order the MPR Government report on methods and ways of taking the country out of crisis are to be discussed at the conferences, the participants of conferences will also hear and discuss a report of the commission on working out the draft constitution.

Commission To Erect Monument for Anniversary

OW0306150591 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1003 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, June 1 (OANA-MONTSAME)—Today there was held a regular meeting of the rehabilitation commision under the guidance of R. Gonchigdorj, chairman of the commission and MPR [Mongolian People's Republic] vice-president.

At the meeting a report of N. Enhbayar, first vice-chairman of the cultural and art committee attached to the MPR government, on foundation of the memorial monument to the repressed on political grounds was heard and discussed. The commission has made a decision on holding the ceremony of laying the foundation of the monument on the eve of the 70th anniversary of the Mongolian People's Revolution.

MONTSAME Reviews 3 Jun Press

OW0406010691 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1736 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, 3 Jun (OANA-MONTSAME)—The newspaper "HUNIY ERH" (HUMAN RIGHTS) being issued by the Voluntary Committee on the Defence of Human Rights and by the Mongolian group of the "International Amnesty" has published the address of H. Nakajima, director-general of the World Health Organization appealing to mark on 31 May the day to combat smoking. In the address it is pointed out to the danger that the smoking has for the health of people and it is proposed as a primary step toward the abolition of this bad habit to refrain from smoking at least for 24 hours.

The newspaper carries an article devoted to the 30th anniversary of the establishment of the international organization "Amnesty International" in which it was emphasized that the activity of this organization is directed to the liberation of people from ideological prisoning and this has enjoyed broad support and its groups and units have been set up in 160 countries and that the organization was awarded the Nobel Prize and prizes of the United Nations.

The newspaper also carries a statement of the Unified Union of Free Mongolian Trade Union in which a demand to the Central Council of the Mongolian Trade Unions Federation to raise a fund of support of the defence of the rights of the working people and to guarantee their living standards, to transfer the means of the fund under the control of relevant organizations that express the interests of the people was staged. The newspaper publishes an interview with the well-known writer and journalist D. Dojoodorj, who has been called to the court on the accusation of slander and the court has adopted a decision to free him from judicial investigation in case if he apologizes before the plaintiffs. He stresses that democratic associations and movements have helped him greatly and that he would continue to lead his teleserials bearing the title "The Responsibility Before the History".

An advertisement herald "DZAR MEDEE" being isssued by the National Information Centre publishes the address of the Union of Mongolian Students to all students throughout the country in which it has appealed the youngsters to support the initiative to hold in August this year first world festival of students of Mongolian origin. The appeal underlines that the festival is intended to contribute to the establishment of ties between students of Mongolian origin living in various countries, to the study of spiritual heritages of their forefathers and to the development of culture.

According to the newspaper a centre under the name of "development and progress", having the goal to abolish the stereotypes the thinking of being a dependant created during the previous years and to ensure spiritual preparedness of people to the transition to market economy has been set up under the aegis of the Unified Union of Free Mongolian Trade Unions. The centre intends also to render assistance to the development of young talents, to instill the humaneness and to disseminate generally accepted spiritual values of the humanity. The newspaper informs that the Unified Union of Free Mongolian Trade Unions has transfered to the fund of this centre one million tugriks which was borrowed from the Central Council of the Mongolian Trade Unions Federation. The newspaper publishes advertisements of various cooperatives and firms.

"TSENHER DELGETS" (BLUE SCREEN) is the name of the weekly information newspaper issued by the Mongolian television. The latest issue of it publishes the general guidelines of programme policy of the Mongolian television, which underlines that it places a task to inform operatively the spectators on the policy of the government, life of Mongolian people and international events and to agitate national and world culture and science achievements. The general guidelines emphasizes that the collaborators of the Mongolian television will consistently adhere to the principle of democracy and openness, to cherish the truth and to refrain from agitation of force or use of force and misinformation. The newspaper informs on the wealth of major feudals of Mongolia which usually has been estimated by the total head of cattles. So, according to the 1874 data the greatest number of head of cattles belonged to the spiritual head of the country Bogdogegeen. He had 38 thousand of head of cattles, including 870 camels, over 10 thousand horses and 600 head of big cattle, another religious dignatory Dzayagegeen did not yield anything in the respect of the total number of private cattles. The greatest owner was Duurgegchi Ban from (?Dzabhan) Aymag. According to a data from 1918, he had 27 thousand heads of cattle.

MONTSAME Reviews Newspapers for 1 Jun

OW0306221191 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0955 GMT 3 Jun 91—FOR OFFICIAL USE ONLY

[Text] Ulaanbaatar, June 1 (OANA-MONTSAME)—The central theme of today's issue of the newspaper

"ARDYN ERH" is the international children's day, which is being celebrated today in the country. The paper published numerous materials dealing with children's problems under a title "Children: Life and Problems". According to "ARDYN ERH" there are 283.6 thousand children of pre- school-age, 97.2 thousand out of them are being brought up in kindergartens today in Mongolia. There are over 48 thousand orphans in the country. According to UNICEF Mongolia is in the 63th place in the world by the level of child mortality in the age of 0-5, informs the paper.

"ARDYN ERH" informs its readers about the MPR [Mongolian People's Republic] State Small Hural Third Session, which has adopted the MPR new draft constitution.

"ARDYN ERH" carries an order of J. Gombojab, chairman of the MPR Great People's Hural [GPH], on calling of zone conferences of the GPH deputies and leaders of the state and administrative bodies of the country at the end of June and the beginning of July this year taking into consideration advises of deputies and the GPH governing composition. As it's said in the order, urgent problems concerning the methods and ways of taking the country out of economic crisis, are to be discussed at the conferences, which will be held in Arhangay, Dundgobi, Hobd, Hentiy Aymags and also in the city of Darhan and Ulaanbaatar. "ARDYN ERH" informs that a working tour of D. Ganbold, MPR first prime-minister to Omnogobi Aymag has ended. The paper carries a short interview with P. Dyushatu, ambassador of the European Economic Community (EEC) to the MPR, and an information on the EEC.

According to P. Dyushatu, the cooperation between the MPR and the EEC will promote the speeding-up the country's development, increase its export means and improve the living standards of rural population of Mongolia.

The paper widely covers the events, which have taken place on international arena, in the last days.

South Korea

Minister Comments on Japanese Securities Firms

OW0306134491 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 May 91 Morning Edition p 7—FOR OFFICIAL USE ONLY

[By reporter Suzuki]

[Text] Seoul, 25 May—ROK Finance Minister Chong Yong-ui spoke to this reporter about the issue of allowing Japanese securities firms to open branch offices in Korea, and he said that "a judgment will be made on it, based on the principle of reciprocity." The ROK Government has recently approved the opening of branch offices for four U.S. and UK securities companies, but disapproved Japanese firms' applications on the grounds of the "imbalance of Korean trade with Japan."

Finance Minister Chong, making the remarks which indicate a step forward from his previous stand, said that should Korean securities companies desire to start to do business in Japan, the Japanese would in turn be allowed to enter into the Korean market. At the same time, Finance Minister Chong noted that Korean monetary institutions will be revamped with all possible efforts so that their internationalization and liberalization would be positively pursued. The following is a summary of the interview:

[Suzuki] When will foreigners' investments in Korean securities be liberalized? And what are the prospects of Japanese applications to open branch offices in Korea being approved?

[Chong] We are in the midst of reviewing related laws and regulations. Judging from the progress we have made so far, we expect the liberalization of foreign investment in the Korean securities market to be materialized during the first half of next year or by the year-end at the latest. There are two reasons why approval has not been given to the Japanese firms while it has been to U.S. and UK companies. They are because of: 1) The principle of reciprocity, and 2) problems of international payment position (imbalance in Japan-Korea trade).

[Suzuki] An early solution to the problem of imbalance in Japan-Korea trade is difficult to expect. Does it mean the approval will not be given for a substantial period of time?

[Chong] This kind of problem is not processed according to manuals. When the time comes when Korean security companies intend to open their branch offices in Japan, we will pass judgment on the question of the Japanese securities companies wishing to do business in Korea.

[Suzuki] What are the policies of liberalization and internationalization of the money market?

[Chong] Recently, we decided on (partial) liberalization of interest rates. We will proceed with the internationalization, taking Japanese experiences into account. The system cannot be changed in a day and that is why I cannot say at this stage about how much and by when. However, it is my belief that internationalization and liberalization is necessary for the ROK as well.

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